Groupe Laperrere & Verreault Inc.

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2003
ANNUAL REPORT

The Strength of a

WORLD-CLASS

Organization



GL&V



PROFILE

Founded in 1975 and listed on the stock market since 1986, Groupe Laperrière & Verreault Inc. ("GL&V" or "the Company") is a world leader in the design, manufacture, upgrading and after-sales servicing of engineered equipment used in industrial liquid/solid separation processes and in pulp and paper production. During the past seven years, the Company has made a dozen acquisitions that have made it a global supplier serving an international customer base. Besides the pulp and paper industry, GL&V's primary markets are the mining and minerals industry and the industrial and municipal environmental industry, including the treatment of wastewater and drinking water. GL&V employs close to 1,500 people and is present in 40 countries on six continents.

GL&V has the proprietary rights to many recognized technologies and trademarks, several of which hold a significant market share in terms of installed base of equipment in operation around the world. That gives the Company strong growth potential in aftermarket services: a value-added recurring business that accounts for more than 50% of its revenues. In addition to its own manufacturing facilities in North America, GL&V's products are manufactured mainly by an international network of subcontractor partners, providing the Company with a competitive cost structure that can easily be adapted to market fluctuations.

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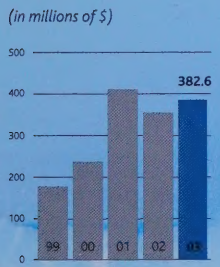
The Strength of a WORLD-CLASS *Organization*

"In fiscal 2003, GL&V completed the largest transaction in its history: the acquisition of EIMCO, a world-class supplier of liquid/solid separation technologies complementary to our Process Group's DORR-OLIVER technologies. Given its size, its impact on GL&V's sectoral and international positioning and the major synergies created through its integration, this acquisition will rapidly generate substantial value for our shareholders. GL&V intends to build upon its expanded international organization to position itself in certain emerging geographic markets and high-potential sectors such as the treatment of municipal water."

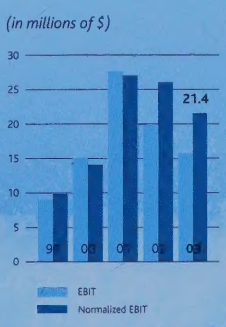
– Laurent Verreault, President and Chief Executive Officer

FINANCIAL HIGHLIGHTS OF THE FISCAL YEAR ENDED MARCH 31, 2003

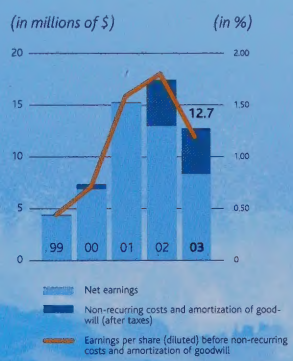
REVENUES



EBIT



NET EARNINGS AND EARNINGS PER SHARE (diluted)



CAPITAL STRUCTURE



- 8.5% increase in REVENUES attributable to EIMCO's contribution for the last five months of the year (excluding EIMCO, 12.6% sales decline due to the weakness of our principal markets);
- 52.3% of revenues generated in the AFTERMARKET (versus 52.1% the previous year);
- NON-RECURRING COSTS of $5.6 million before taxes, associated mainly with the integration of EIMCO and the streamlining of existing operations;
- NORMALIZED EBIT of $21.4 million: positive contribution by EIMCO, increase in EBIT by the Process Group's other units, but lower EBIT for the Pulp and Paper Group and GL&V Manufacturing due to difficult market conditions;
- NET EARNINGS of $8.3 million ($0.76 fully diluted per share), and $12.7 million before non-recurring costs (net of taxes), or $1.17 fully diluted per share;
- 13.2% RETURN on shareholders' equity (before non-recurring costs);
- CASH FLOWS FROM OPERATIONS of $21.3 million;
- PRIVATE PLACEMENT of 2,500,000 Class "A" shares for net proceeds of $30.8 million, used partly to finance the EIMCO acquisition;
- Despite the year's major acquisition, at a cost of $59.6 million, the TOTAL NET DEBT TO TOTAL INVESTED CAPITAL ratio only rose from 28.2% to 31.3% between March 31, 2002 and 2003.

THE FOURTH QUARTER OF FISCAL 2002-2003 GAVE RISE TO GL&V'S BEST QUARTERLY PERFORMANCE EVER IN TERMS OF SALES AND OPERATING INCOME (BEFORE NON-RECURRING COSTS):

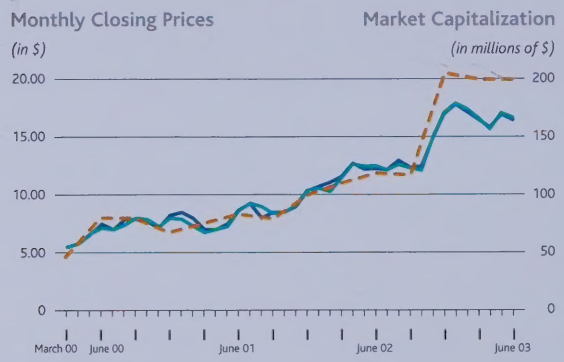
- Sales increase of 48.1%: full contribution by EIMCO and renewed growth by the Pulp and Paper Group thanks to the success of its new regional sales and aftermarket strategy in North America;
- Net earnings of $4.8 million or $0.39 fully diluted per share (excluding non-recurring costs, net of taxes).

A DECISIVE ACQUISITION FOR GL&V'S STRATEGIC POSITIONING AND FUTURE GROWTH. A SUCCESSFUL INTEGRATION, THAT WILL YIELD ANNUAL SAVINGS OF CLOSE TO $30 MILLION AS OF 2003-2004.

EIMCO:

- triples the Process Group's revenues, thereby reducing GL&V's exposure to the pulp and paper industry whose contribution to revenues will go from 70% to between 35% and 40%;
- makes GL&V one of the world's leading suppliers for the **mining and minerals** industry and provides us with cutting-edge expertise in **wastewater and drinking water treatment technologies**;
- **consolidates GL&V's international presence**, especially in certain **emerging markets** such as Latin America and the Asia-Pacific region;
- holds **important potential for aftermarket services** given EIMCO's extensive installed equipment base worldwide.

MARKET CAPITALIZATION REACHES $200 MILLION



COMPOUND ANNUAL GROWTH RATES:

1 YEAR: 45.2%

2 YEARS: 57.3%

3 YEARS: 44.5%

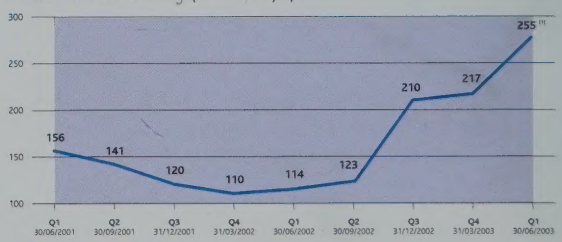
GLV.A
GLV.B
Market Capitalisation

"Despite the prevailing economic uncertainty, GL&V got off to a positive start in 2004, with a large order backlog and growing results in most of its markets. Furthermore, the EIMCO integration being basically completed and having met all our objectives so far, the expected synergies will materialize during fiscal 2003-2004."

– Laurent Verreault

As at June 30, 2003, GL&V's backlog amounted to $255 million, more than twice its year-ago level, thanks to the addition of EIMCO and internal growth of 33%. We have notably landed several large-scale orders, including a contract worth approximately $35 million for the Process Group in China and several contracts totalling more than $30 million for the Pulp and Paper Group around the world.

ORDER BACKLOG *(in millions of $)*



(1) Including the balance of approximately $30 million on a major contract in China

STRATEGIC OBJECTIVES 2003-2004

PROCESS GROUP:

- Finalize the integration of EIMCO;
- Develop the full potential of the DORR-OLIVER and EIMCO merger, including:
 - in the municipal water treatment market;
 - in emerging mining and minerals markets in the Southern Hemisphere and Asia; and
 - in the aftermarket in North America and in some other parts of the world.

PULP AND PAPER GROUP:

- Further increase our presence in the North American aftermarket, by building upon our the new regional structure and the launch of new products;
- Map out a targeted international development strategy, particularly in emerging markets such as China and Latin America.

GL&V MANUFACTURING:

- Continue to develop its base of external customers, optimize the manufacturing operations transferred from Nashua by the Pulp and Paper Group in 2003, and integrate those recently transferred from Salt Lake City by the Process Group.

AS A CORPORATION:

- Continue to invest in product development and enhancement, so as to improve our customers' performance;
- Maintain a flexible, competitive organization and cost structure that can be rapidly adapted to market conditions;
- Remain on the lookout for opportunities to acquire companies that will bring an additional business base in the aftermarket and/or value-added technologies in growth niches such as the municipal water treatment.

GL&V

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courrier@glv.com

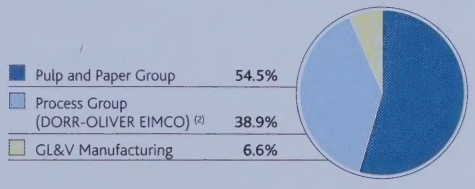
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Corporate Development
Executive Office – GL&V
pierre.lepine@glv.com

DESCRIPTION OF BUSINESS

SEGMENTED BREAKDOWN OF REVENUES FOR FISCAL 2003 [1]



[1] Before other and inter-segment eliminations
[2] Including EIMCO's revenues from November 1, 2002 to March 31, 2003

GL&V's **Pulp and Paper Group** supplies an international customer base with an extensive line of equipment used in stock preparation and fibre recycling as well as pulp and paper production. Besides meeting its customers' needs for new equipment, the Pulp and Paper Group's primary strategy is to optimize their existing equipment. In fact, this group is a North American leader in the after-sales market, namely equipment refurbishing and upgrading and the supply of spare parts and other field services. Thanks to the many acquisitions it has carried out in the past, one of GL&V's major advantages in the pulp and paper aftermarket comes from the large base of installed equipment operating worldwide under its several trademarks: ALBIA, BAGLEY AND SEWALL, BELOIT-JONES, BELOIT-LENOX, BLACK CLAWSON-KENNEDY, CELLECO, DOWNTINGTOWN, ELP, HEDEMORA, IMPCO, JONES, LAVALLEY, NATIONAL REFINER PLATE and SANDY HILL.

Following the recent merger of two market leaders – DORR-OLIVER and EIMCO – GL&V's **Process Group** ranks among the major world suppliers of liquid/solid separation technologies such as filtration, floatation and sedimentation systems, clarifiers and thickeners. This group mainly serves the mining and minerals industry as well as the industrial waste and municipal wastewater and drinking water treatment markets. In addition, it holds the proprietary rights to state-of-the art technologies targeted to various other industries such as pulp and paper, chemicals, petrochemicals and food. Benefiting from a large installed base of branded DORR-OLIVER, EIMCO and WEMCO equipment worldwide, the Process Group also offers a full range of upgrading, spare parts and other aftermarket services.

GL&V Manufacturing is the Company's largest manufacturing unit. Based in Trois-Rivières, Quebec, it offers machining, custom manufacturing, and mechanical assembly of heavy equipment services, as well as spare parts and aftermarket services. Besides meeting some of the Pulp and Paper Group's and Process Group's manufacturing needs, GL&V Manufacturing mainly serves the pulp and paper and energy industries, along with various other industrial customers.

IN THE THIRD QUARTER OF THE LAST FISCAL YEAR, GL&V COMPLETED ITS LARGEST ACQUISITION EVER: THE EIMCO DIVISION OF BAKER HUGHES INCORPORATED. BESIDES TRIPLING THE SIZE OF ITS PROCESS GROUP, THIS TRANSACTION POSITIONS THE COMPANY IN PROMISING NEW SECTORAL AND GEOGRAPHICAL MARKETS. FOR THE LAST FIVE MONTHS OF THE YEAR, EIMCO BROUGHT ADDITIONAL SALES OF ABOUT $75 MILLION AND MADE A POSITIVE CONTRIBUTION TO GL&V'S NET EARNINGS, DESPITE THE NON-RECURRING COSTS ASSOCIATED WITH ITS INTEGRATION AND ALTHOUGH THE SYNERGIES WERE NOT YET FULLY IN PLACE. MEANWHILE, FACED WITH A DIFFICULT BUSINESS CONTEXT, THE PULP AND PAPER GROUP RESTRUCTURED ITS NORTH AMERICAN MANUFACTURING OPERATIONS, SOME OF WHICH WERE TRANSFERRED TO GL&V MANUFACTURING. IN ADDITION, IT IMPLEMENTED A SUCCESSFUL REGIONAL SALES AND AFTER-SALES SERVICING STRATEGY THAT ENABLED IT TO RESTORE SALES GROWTH AND TO IMPROVE ITS PROFITABILITY IN THE SECOND HALF OF THE YEAR.

FISCAL 2002-2003 AT A GLANCE

FIRST QUARTER
(JUNE 30, 2002)

- 22.2% sales decrease over the previous year due to a weak economy;
- Net earnings of $1.9 million or $0.20 diluted per share;
- Cash flows from operations of $5.4 million;
- Renewed growth in order backlog after three quarters of decline.

SECOND QUARTER
(SEPTEMBER 30, 2002)

- 7.5% sales decrease from the previous year, but 5.9% increase over the first quarter;
- Net earnings of $2.5 million or $0.26 diluted per share;
- More than 54% of revenues derived from the aftermarket;
- 8% increase in order backlog compared with the previous quarter;
- **August 12, 2002: Filing of a letter of intent to acquire the EIMCO Division of Baker Hughes Incorporated, based in Salt Lake City, Utah.**

THIRD QUARTER
(DECEMBER 31, 2002)

- **November 8, 2002: Closing of the EIMCO acquisition (retroactive to November 1st) and immediate implementation of integration plan;**
- 19.3% sales growth over the previous year;
- Net earnings of $3.5 million or $0.30 diluted per share, excluding non-recurring costs (net of taxes);
- Thanks to the EIMCO acquisition, 71% increase in order backlog over the previous quarter;
- October 18, 2002: to finance part of the acquisition, closing of a private placement of 2,500,000 Class "A" shares for net proceeds of $30.8 million.

FOURTH QUARTER
(MARCH 31, 2003)

- **GL&V's best quarter ever in terms of sales and operating income (before non-recurring costs);**
- 48.1% sales growth over the previous year, thanks to EIMCO's full contribution;
- Net earnings of $4.8 million or $0.39 diluted per share, excluding non-recurring costs (net of taxes);
- Annual ROE of 13.2%, before non-recurring costs;
- Cash flows from operations of $11.9 million;
- Acquisition of EIMCO finalized upon acceptance of closing balance sheet: GL&V collects $18.0 million after adjustment of the purchase price and buyback of certain accounts receivable by Baker Hughes Incorporated;
- Total net debt to invested capital ratio lowered from 39.6% to 31.3% during the quarter;
- Order backlog reaches $217 million, almost double the previous year's level;
- Even excluding EIMCO, the order backlog posts strong internal growth of 33% over March 2002;
- Arrangement of $135.0 million in credit facilities ($95.0 million long term and the balance as an operating margin) to refinance part of the acquisition and provide for future expansion projects.

FIRST QUARTER OF FISCAL 2003-2004
(JUNE 30, 2003)

Announcement of several large-scale contracts, including:

- a contract in the range of $35 million for the Process Group (DORR-OLIVER EIMCO) in China;
- contracts totalling over $30 million for the Pulp and Paper Group around the world;
- first major contract, in the drinking water treatment sector in the United States, amounting to more than $4 million; and
- an order of more than $6 million for the petrochemicals industry in Colombia.

A SIGNIFICANT
ITS MARKETS.
GRESSING AS
SO THAT ALL
FISCAL 2003-
ND STRONGER
TEST ACQUISI-
NG COUNTRIES

NVESTOR INFORMATION

APITAL STOCK
as at March 31, 2003)

hares	GLV.A (subordinate voting)	GLV.B (multiple voting rights)
lumber outstanding	9,471,099	2,453,441
ecord high/low	$18.95/$3.30	$18.52/$1.95
igh/low over last fiscal year	$18.95/$11.50	$18.52/$12.00
rading volume	1,291,981	319,171
hare price as at March 31, 2003	$16.70	$16.54
hare price as at June 30, 2003	$16.75	$16.54

TOCK PERFORMANCE



OMPOUND ANNUAL GROWTH RATES AS AT MARCH 31
GLV.A)

1 YEAR : 45.2 %
2 YEARS : 57.3 %
3 YEARS : 44.8 %

NANCIAL HIGHLIGHTS

	2002	2001	2000	1999
	352,628	407,465	235,440	175,922
	19,841	27,459	15,026	9,036
	25,864	26,904	14,038	9,816
	12,920	15,243	6,837	4,282
	17,267	15,596	7,180	4,366
%	3.7%	3.7%	2.9%	2.4%
%	4.9%	3.8%	3.1%	2.5%
%	17.3%	25.0%	13.9%	9.6%
%	23.1%	25.6%	14.6%	9.8%
	220,505	231,210	225,907	136,623
	56,378	58,636	71,909	30,149
	79,180	70,315	51,719	47,002
	25,255	15,903	15,793	6,831
	31,123	42,733	61,359	28,897
%	28.2%	37.8%	54.3%	38.1%
	1.37	1.60	0.82	0.52
	1.34	1.57	0.69	0.43
	1.83	1.60	0.82	0.52
	1.79	1.57	0.69	0.43
	0.20	0.10	--	--
	8.44	7.32	6.22	5.63

ing interest and amortization of goodwill
write-off of assets (excluding the write-off of deferred

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BROKERAGE FIRMS COVERING GL&V'S STOCK

Desjardins Securities
Dundee Capital
National Bank Financial
Scotia Capital
Sprott Securities

INVESTOR RELATIONS

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2002-2003 ANNUAL INFORMATION FORM

Available as of August 18, 2003
on SEDAR, or upon request
at GL&V's Head Office

ANNUAL MEETING OF SHAREHOLDERS

Thursday, September 25, 2003, at 11:30 a.m.
Omni Mont-Royal Hotel
Pierre de Coubertin Room
1050 Sherbrooke Street West
Montreal, Quebec

FINANCIAL REPORTING SCHEDULE
(preliminary)

1st Quarter	August 8, 2003
2nd Quarter	November 7, 2003
3rd Quarter	February 9, 2004
4th Quarter and Fiscal 2004	June 4, 2004

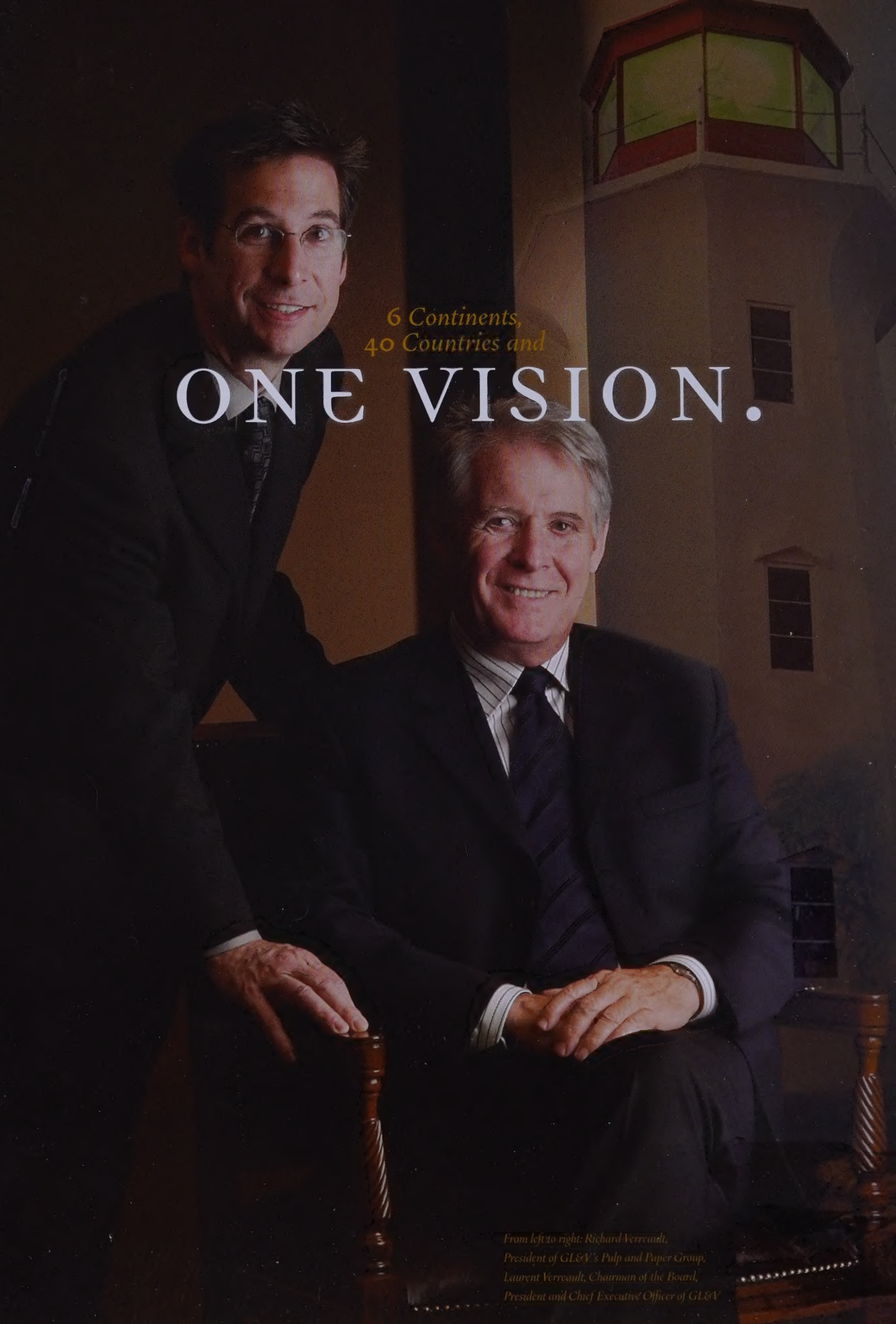
GL&V's financial press releases are sent out on the newswire in English and French, and may also be consulted on the Company's Web site: www.glv.com

GLSV ENTERED FISCAL 2004 ON A POSITIVE NOTE, WITH A SIGNIFICANT ORDER BACKLOG AND GROWING RESULTS IN MOST OF ITS MARKETS. FURTHERMORE, THE EIMCO INTEGRATION IS PROGRESSING AS PLANNED AND MEETING THE COMPANY'S OBJECTIVES, SO THAT ALL THE EXPECTED SYNERGIES WILL BE ACHIEVED DURING FISCAL 2003-2004. GLSV INTENDS TO BUILD UPON THE EXPANDED AND STRONGER WORLD-CLASS ORGANIZATION RESULTING FROM ITS LATEST ACQUISITION TO INCREASE ITS PRESENCE IN CERTAIN EMERGING COUNTRIES AND BUOYANT MARKETS SUCH AS WATER TREATMENT.

FINANCIAL HIGHLIGHTS

Fiscal years ended March 31,	**2003**	2002	2001	2000	1999
OPERATING RESULTS (in thousands of $)					
Revenues	**382,589**	352,628	407,465	235,440	175,922
EBIT [1]	**15,694**	19,841	27,459	15,026	9,036
Normalized EBIT [2]	**21,371**	25,864	26,904	14,038	9,816
Net earnings	**8,255**	12,920	15,243	6,837	4,282
Net earnings before non-recurring costs and amortization of goodwill	**12,748**	17,267	15,596	7,180	4,366
Net margin	**2.2%**	3.7%	3.7%	2.9%	2.4%
Net margin before non-recurring costs and amortization of goodwill	**3.3%**	4.9%	3.8%	3.1%	2.5%
Return on average equity (ROE)	**8.5%**	17.3%	25.0%	13.9%	9.6%
ROE before non-recurring costs and amortization of goodwill	**13.2%**	23.1%	25.6%	14.6%	9.8%
FINANCIAL POSITION (in thousands of $)					
Total assets	**332,526**	220,505	231,210	225,907	136,623
Long-term debt [3]	**89,898**	56,378	58,636	71,909	30,149
Shareholders' equity	**114,420**	79,180	70,315	51,719	47,002
Available cash	**37,846**	25,255	15,903	15,793	6,831
Total net debt	**52,052**	31,123	42,733	61,359	28,897
. as a % of total invested capital	**31.3%**	28.2%	37.8%	54.3%	38.1%
PER SHARE DATA (in $)					
Net earnings					
. basic	**0.79**	1.37	1.60	0.82	0.52
. diluted	**0.76**	1.34	1.57	0.69	0.43
Net earnings before non-recurring costs and amortization of goodwill					
. basic	**1.21**	1.83	1.60	0.82	0.52
. diluted	**1.17**	1.79	1.57	0.69	0.43
Dividends	**--**	0.20	0.10	--	--
Book value	**9.60**	8.44	7.32	6.22	5.63

[1] Earnings before financial expenses, income taxes, non-controlling interest and amortization of goodwill
[2] Before non-recurring costs and gains or losses on disposal and write-off of assets (excluding the write-off of deferred financing costs)
[3] Including current portion



6 Continents,
40 Countries and

ONE VISION.

From left to right: Richard Verreault, President of GL&V's Pulp and Paper Group, Laurent Verreault, Chairman of the Board, President and Chief Executive Officer of GL&V

2002-2003: A DECISIVE YEAR FOR GL&V'S STRATEGIC POSITIONING AND FUTURE ECONOMIC VALUE

The fiscal year ended March 31, 2003 was marked by GL&V's most important transaction ever: the acquisition of the EIMCO Division of Baker Hughes Incorporated, effective November 1, 2002, at a cost of $59.6 million. Giving new momentum to our international expansion, this acquisition raised GL&V's profile considerably by positioning the Company in certain growing niches such as municipal water treatment, by better balancing our revenue sources and by enhancing our potential in the aftermarket. Thanks to its contribution to the Company's growth and the exceptional synergies it offers, this acquisition will rapidly create substantial value for our shareholders.

FINANCIAL RESULTS FOR FISCAL 2003

Although below our expectations, we consider GL&V's results for the year ended March 31, 2003 to be satisfactory given the persisting weakness of our markets, especially in the United States and Europe. Indeed, the recovery that many had anticipated for the second half of 2002 failed to materialize. Quite the contrary, commodity prices remained low and capital investments continued to decline in our major markets: the pulp and paper, mining and minerals and energy industries.

However, after a first six months of declining results at GL&V, two events reversed the trend in the second half of the year: the acquisition of EIMCO and the success of the new strategy implemented by our Pulp and Paper Group in North America. For the last five months of the fiscal year, EIMCO made a significant contribution to our sales and operating income before non-recurring costs. For its part, the Pulp and Paper Group restored its sales growth and improved its profitability by $4.6 million in the second half of the year.

For the fiscal year as a whole, GL&V achieved sales of $382.6 million, up 8.5% over the previous year. We posted net earnings of $8.3 million versus $12.9 million in 2002, while diluted earnings per share went from $1.34 to $0.76, given the issue of 2.5 million shares in October 2002. Results for 2003 include non-recurring pre-tax expenses of $5.6 million, nearly half of which consisting of non-capitalized costs associated with the integration of EIMCO, and the rest consisting of expenses related to the restructuring of our existing operations to adapt to market conditions. Without these non-recurring costs, net earnings for 2003 would have amounted to $12.7 million or $1.17 diluted per share, for a 13.2% return on shareholders' equity.

DORR-OLIVER AND EIMCO: AN IDEAL COMBINATION OF STRENGTHS AND EXPERTISE

Besides its financial benefits, the EIMCO acquisition had a major impact on GL&V's sectoral and geographical positioning. First, it triples the size of our Process Group, thereby reducing our exposure to the pulp and paper industry in favour of mining and minerals and the municipal and industrial environmental markets. For instance, the complementarity of DORR-OLIVER's and EIMCO's respective technologies and customer bases in the mining and minerals industry provides us with a much more diversified expertise and a stronger international presence, especially in certain growth markets in South Africa, Latin America and the Asia-Pacific region. The second major advantage brought by this acquisition is the scope and quality of EIMCO's technologies in wastewater and drinking water treatment. We are particularly interested in the promising municipal water treatment market.

Water being a key component in the industrial processes of almost all types of customers we serve, our enhanced selection of technological solutions for separating liquids and solids will reinforce our presence in our traditional markets as well. EIMCO's excellent recausticizing and cooking liquor treatment technology for the pulp and paper industry recently earned us a contract worth approximately $35 million for a new greenfield pulp mill in China. EIMCO also has one of the most renowned dewaxing technology worldwide, which led to GL&V being recently awarded a major contract in the petrochemicals industry in South America.

INTEGRATION OF EIMCO: A SUCCESS ACROSS THE BOARD

While DORR-OLIVER's and EIMCO's complementary technologies will undoubtedly be the driving force of our future market development, major financial benefits will be derived from the synergies created by merging both organizations and international networks. Following the acquisition, we shut down or merged several offices around the world and carried out a major streamlining in Salt Lake City. Therefore, most of the integration was completed by March 31, 2003. In June 2003, we closed the manufacturing plant in Salt Lake City and sold its equipment. Some of these operations were transferred to GL&V Manufacturing and the rest, to our network of external subcontractors. Also during the first quarter of fiscal 2003-2004, we moved the spare parts inventories and procurement department to the Process Group's facilities in Orillia, Ontario. These various measures will yield substantial recurring savings that will contribute to our financial results as of this year.

We are most optimistic about the future benefits of the EIMCO acquisition and its potential for creating shareholder value. We are just as pleased with how fast and efficiently the integration was carried out. Even with GL&V's solid track record as a business integrator, EIMCO's integration was definitely an outstanding success considering the magnitude of the operation. I wish to emphasize the excellent work, dynamism and professionalism of all those involved, as well as the open minds and adaptability of EIMCO's personnel, without which we could not have implemented GL&V's business model and entrepreneurial culture so successfully and rapidly.

LEVERAGING OUR INTERNATIONAL AND TECHNOLOGICAL PLATFORM

Besides their financial benefits, our latest major acquisitions – CELLECO, BELOIT, DORR-OLIVER and now EIMCO – all aimed to provide GL&V with the proprietary rights, trademarks and OEM rights to recognized equipment widely used around the world. Today, we can build upon an impressive installed base of engineered equipment derived from our technologies and bearing our several trademarks. In fact, there are very few pulp and paper mills, mines or municipalities around the world that do not use at least one piece of GL&V's equipment. That represents a tremendous growth opportunity, especially in the aftermarket. In the coming years, we intend to make the most of this geographical and technological platform.

OUTLOOK AND OBJECTIVES

We are confident as to our performance for fiscal 2004 and optimistic about GL&V's future. On June 30, 2003, our backlog totalled $255 million, more than double its year-ago level. Even excluding EIMCO, our order backlog posted solid internal growth of 33%. Seeing how our groups succeed in increasing their market share in today's difficult economy, we cannot help but be enthusiastic about their growth prospects under more favourable circumstances.

Our Process Group's growth outlook is promising in the international mining and minerals industry, especially in the Southern Hemisphere where not only will most large-scale development projects be based in the future, but where the EIMCO acquisition has enhanced our presence significantly. In North America, we will bank primarily on the environmental market, including the treatment of mine tailings and wastewater, but above all the municipal water sector. The aftermarket is another key growth avenue for the Process Group, given that EIMCO's focus has traditionally been on major capital projects. Accordingly, while continuing to capitalize on the excellent reputation of EIMCO's and DORR-OLIVER's new equipment technologies, we will build upon our aftermarket expertise to further tap the potential offered by EIMCO's extensive installed equipment base around the world.

However, in the pulp and paper industry, we do not expect a return to major investments in new infrastructures in North America. As it is also the case in Europe, this mature market will remain mostly focused on aftermarket services, whereas new infrastructure projects will shift to emerging regions such as Latin America and China. In this context, while developing a targeted international expansion strategy, optimizing the yield and potential of its North American customers' existing equipment will remain our Pulp and Paper Group's core business. Last year, we intensified this approach by successfully setting up a regional structure and launching new products. In fact – and this applies to all of GL&V's business units – ongoing product development is among our key priorities, mostly to improve our flagship technologies.

For the current fiscal year, depending on market conditions, we anticipate substantial increases in sales and operating income, which should steadily rise as the synergies from the EIMCO integration materialize. However, given the economic uncertainty prevailing today, we will continue to strictly manage our costs and constantly adjust to market fluctuations, as we have always done in the past. We will seek more efficient ways of doing business and keep on developing potential synergies within the Company. We also remain on the lookout for opportunities to acquire companies that will provide us with an additional business base in the aftermarket and/or promising technologies in certain growth niches, such as the water treatment market.

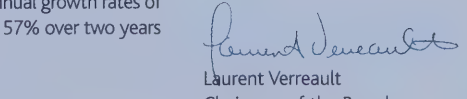
LONG-TERM VISION

While always ready to seize the best opportunities that arise, our vision first and foremost is a long-term one. We never lose sight of the fact that our primary commitment is to create growing, sustainable value for our shareholders. We have proven that so far, as GL&V's share was among the 12 top-performing Quebec stocks for both 2003 and 2002, posting compound annual growth rates of around 45% over a three-year period, 57% over two years and 45% last year.

To build further shareholder value, we will stay focused on the strategy that has been GL&V's driving force in the past years. We will maintain our role as an industry consolidator by acquiring, at a good price, businesses with complementary technologies and a solid installed equipment base, which we will rapidly and profitably integrate. Through acquisitions and internal growth, we will offer the technological solutions best adapted to our current markets' needs and seek to penetrate promising new niches. Our approach will remain centred on aftermarket services and on optimizing customers' existing equipment, no matter what its origin. And above all, we will always strive to maintain an efficient, flexible, entrepreneurial and profitable organization.

I join GL&V's Board of Directors and executive team in expressing our gratitude to the Company's entire workforce for their dedication, sense of initiative and skills. We take this opportunity to welcome the 400 or so EIMCO employees who joined GL&V's ranks during the last fiscal year. We also thank all our external partners – especially our customers, suppliers and shareholders – for sharing our vision of the future. On a personal note, I also wish to thank my fellow directors for their support and to acknowledge the arrival of Ms. Sylvie Lalande, who was elected as a Board member at our last Annual Meeting of Shareholders.

Finally, I would like to highlight the departure of two key managers who retired this year. I thank Greg Bruyea for his 11 highly constructive years at the helm of the Process Group, and for the vital role he played in the success of our business acquisition and integration strategy. I also wish to express my gratitude to Bernard Therrien, one of the Company's first architects and major shareholders who, until last June, notably held various positions within GL&V's Pulp and Paper Group.



Laurent Verreault
Chairman of the Board,
President and Chief Executive Officer

July 2003

THE STRENGTH OF A WORLD-CLASS ORGANIZATION

THE ACQUISITION OF EIMCO IS PERFECTLY IN LINE WITH GL&V'S STRATEGIC GOALS AND FINANCIAL OBJECTIVES, INCLUDING THOSE OF BETTER BALANCING ITS REVENUE SOURCES AND ACHIEVING SALES OF ONE BILLION DOLLAR WITHIN A FEW YEARS.

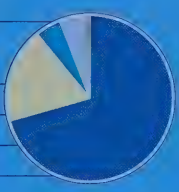


BETTER-BALANCED
ARKET
OSITIONING

BREAKDOWN OF GL&V'S REVENUES BY CUSTOMERS' BUSINESSES

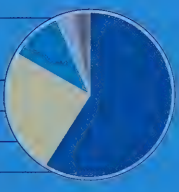
Before the EIMCO acquisition
(fiscal year ended March 31, 2002)

Pulp and paper	71.1%
Mining and minerals, chemicals and petrochemicals, food	18.6%
Environment	5.0%
Energy	5.0%
Other	0.3%



With EIMCO
(fiscal year ended March 31, 2003 [1])

Pulp and paper	59.0%
Mining and minerals, chemicals and petrochemicals, food	24.2%
Environment	10.2%
Energy	3.3%
Other	3.3%



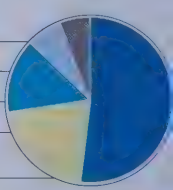
[1] Including EIMCO, acquired on November 1, 2002, for five months only

A STRONGER PRESENCE IN EMERGING COUNTRIES

GEOGRAPHIC BREAKDOWN OF GL&V'S REVENUES

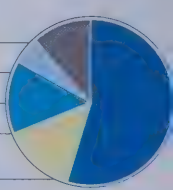
Before the EIMCO acquisition
(fiscal year ended March 31, 2002)

United States	51.9%
Canada	20.7%
Europe	14.5%
Asia	6.9%
South America, Australia, Africa, other	6.0%



With EIMCO
(fiscal year ended March 31, 2003 [1])

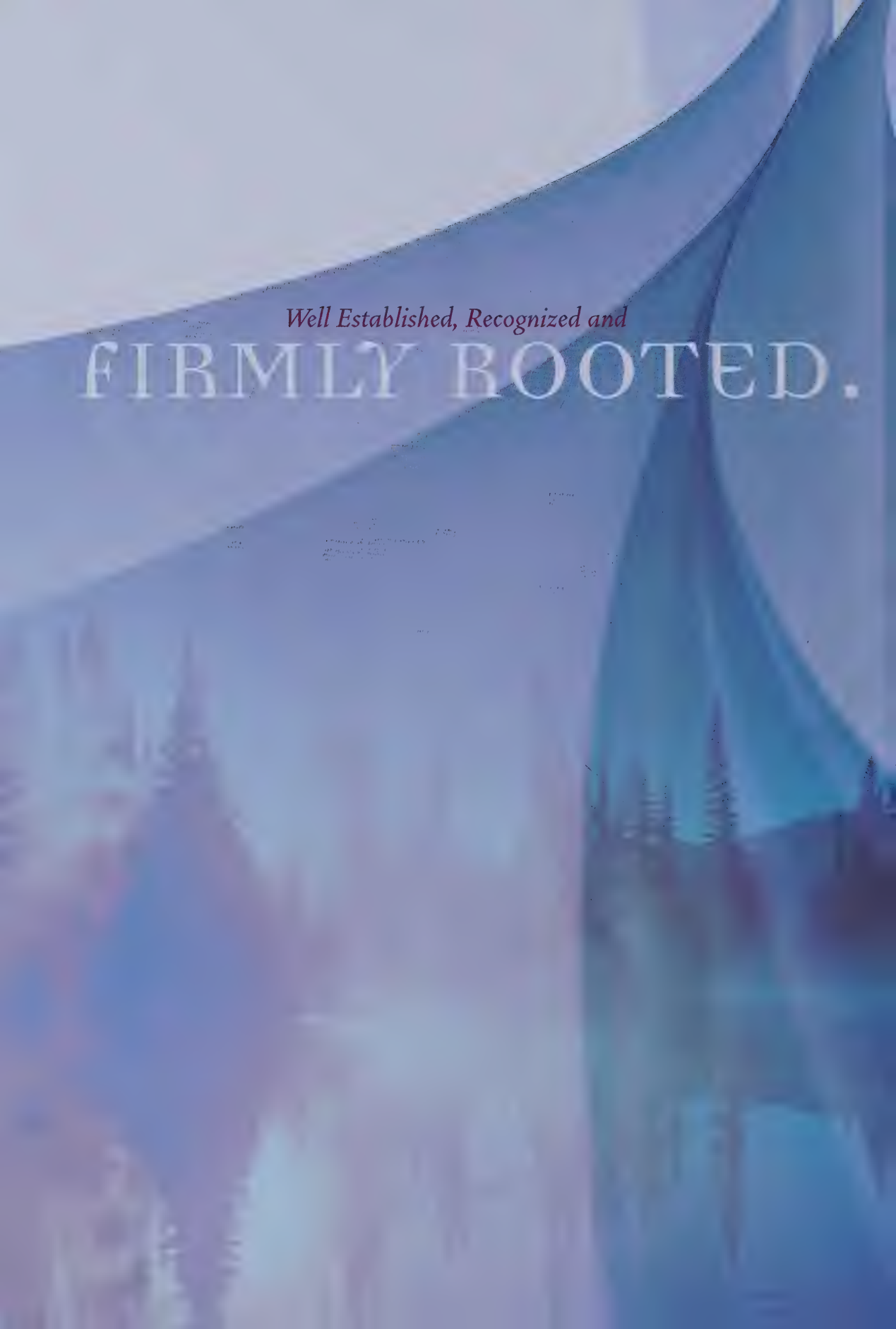
United States	54.6%
Canada	14.3%
Europe	14.2%
Asia	5.3%
South America, Australia, Africa, other	11.6%



[1] Including EIMCO, acquired on November 1, 2002, for five months only

THE EIMCO ACQUISITION...

- makes the Process Group a **foremost international supplier of technological solutions** for separating liquids and solids;
- gives GL&V the **proprietary rights** to a wide range of **products and technologies that are complementary** to DORR-OLIVER's;
- makes GL&V one of the leading suppliers for the **mining and minerals industry worldwide**;
- provides the Company with cutting-edge expertise in **environmental technologies**, including wastewater and drinking water treatment;
- consolidates GL&V's **international presence**, especially in certain emerging markets such as Latin America and the Asia-Pacific region;
- holds **important potential for after-sales services**, GL&V's major target market. In business for over 120 years, EIMCO has more than 100,000 pieces of installed equipment around the world;
- will create **considerable recurring savings** as of fiscal 2003-2004, thanks to the synergies between DORR-OLIVER's and EIMCO's organizations and worldwide networks.


Well Established, Recognized and
FIRMLY ROOTED.

PULP AND PAPER: THE COMMITMENT OF A GLOBAL SUPPLIER AND PARTNER



The pulp and paper industry, GL&V's original market, is served to various extents by each of the Company's three groups. From pulp preparation to paper finishing, the Pulp and Paper Group offers a comprehensive line of production equipment, while the Process Group supplies the liquid/solid separation technologies needed, for example, to treat production waste or prepare cooking liquor. These two groups regularly call upon GL&V Manufacturing's skills in equipment machining, manufacturing and mechanical assembly services.

Today, the Pulp and Paper Group is present in all major papermaking markets in North America, as well as in Europe, South America, South Africa and the Asia-Pacific region. Over the years, it has emerged as one of the leading industry suppliers in North America and internationally, by focusing on the refurbishing and upgrading of pulping equipment and sections of the paper machine, spare parts and field services. Drawing on a flexible organization and a competitive cost structure, it stands apart for its ability to meet customers' needs rapidly and efficiently, by offering them the most advantageous and cost-effective technical solutions.

INDUSTRY TRENDS

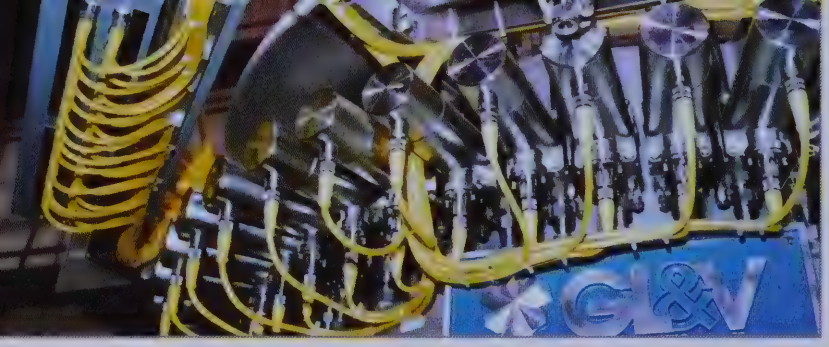
Last year, despite a slight increase in the world demand, prices for pulp and major paper grades have fluctuated considerably, but without really firming up. On the contrary, the price of Northern Bleached Softwood Kraft Pulp (NBSK) decreased by 12% between 2001 and 2002, falling to a 20-year low in December 2002.

Combined with the U.S. economic slowdown and the downturn in Europe and Japan, this context intensified the consolidation of production capacity, especially in North America where several mills temporarily or definitively discontinued their operations. Pulp and paper manufacturers' investments declined significantly, as they limited their spending to the minimal maintenance of their existing equipment. However, in line with the trend seen in recent years, several major projects have started up or been announced abroad, including in South America and China.

In 2002-2003, GL&V positioned itself to turn the challenges of an increasingly global industry into new opportunities.

NORTH AMERICA: BETTER COVERAGE OF THE AFTERMARKET AND RESTRUCTURING OF MANUFACTURING OPERATIONS

In 2002-2003, while major world equipment suppliers were converging on the aftermarket – the only market segment to remain relatively active in North America – GL&V's Pulp and Paper Group succeeded in strengthening its market share by implementing a new strategy, systematically structured according to pulp and paper producers' performance objectives. Centred on the theme *"Unlock the Potential"*, this strategy aims to provide customers with the best solutions in order to maximize their existing equipment yield and reduce their operating costs. Besides moving our engineering, technical support and spare parts services closer to our customers, it involves showcasing GL&V's know-how as an OEM, constantly investing in product improvement and building long-term relationships with customers.





Left: GL&V's new BTF® Dilution System controls the cross-directional basis weight profile and can be retrofitted to an existing headbox
Right: Compaction Baffle filters (CB Filters) used for brown stock and bleach applications, installed in a North Carolina, USA, mill
Following page: Pickup Roll for a press rebuilt

To that end, the Pulp and Paper Group's operations have been decentralized and reorganized into four major regional centres set up near customers' business sites: Vancouver, Washington; Atlanta, Georgia; Lenox, Massachusetts; and Trois-Rivières, Quebec. In addition, several new products derived from our top-selling aftermarket technologies have been successfully launched over the past two years, strengthening GL&V's capacity and reputation as a partner committed to improving its customers' performance.

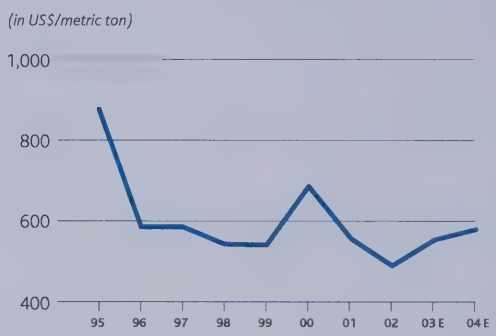
The impact of this new strategic offensive did not take long to materialize. In a stagnating market, the Pulp and Paper Group achieved sales growth of close to 14% in the fourth quarter. As at March 31, 2003, and June 30, 2003, its order backlog showed respective increases of 33% and 24% over the previous year. In some high turnover product categories ("consumables"), sales grew by more than 30% during the last year.

Besides acquisition opportunities, this strategy will be GL&V's main source of growth in the North American pulp and paper industry over the short and medium terms.

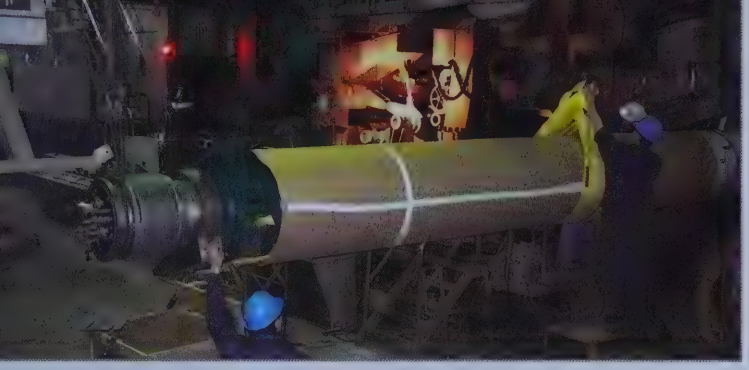
As part of its efforts to constantly adapt its cost structure to market conditions, our Pulp and Paper Group transferred part of its North American manufacturing business, formerly done in Nashua, New Hampshire, to GL&V Manufacturing's plant in Trois-Rivières, Quebec, and the rest to external subcontractors. However, we maintained significant engineering, sales and marketing expertise in Nashua. While continuing to serve its external pulp and paper customers under long-term maintenance contracts, GL&V Manufacturing succeeded in efficiently integrating these new operations by investing in staff training and the purchase of equipment.

CHANGE IN AVERAGE PRICES FOR NBSK CHEMICAL PULP

(Northern Bleached Softwood Kraft Pulp)



Source: Scotia Capital, April 2003



POISED TO SEIZE OPPORTUNITIES IN THE PULP AND PAPER INDUSTRY WORLDWIDE

INTERNATIONAL DEVELOPMENT STRATEGY

As the pulp and paper industry is moving toward a new distribution of world production, GL&V is evolving accordingly. For instance, the November 2002 acquisition of EIMCO allowed us to establish our presence in China, one of the most promising markets worldwide. In May 2003, a few months after the acquisition, DORR-OLIVER EIMCO was awarded a contract of approximately $35 million, one of GL&V's largest ever, to supply a complete EIMCO® recausticizing system for a greenfield pulp mill to be built on Hainan Island in South China. Not only is this technology one of the most renowned around the world, but the former EIMCO has also carried out several similar contracts, including in this part of the globe. Therefore, its acquisition enabled us to integrate, at low risk, both solid technological expertise and in-depth knowledge of the Chinese market. The design, engineering, procurement and project management services will be supplied from Salt Lake City, while the critical components will be produced by GL&V Manufacturing. The rest of the manufacturing will be assigned to GL&V's international network of subcontractors.

For its part, the Pulp and Paper Group is currently defining a targeted international development strategy, notably for China, Russia and South America, which will focus on specific product categories. It also plans to capitalize on its several-year partnership with a world leader to secure a presence in some foreign markets, while minimizing its risk. This partnership recently led to our landing a major contract to supply disc filters and pulp cleaning systems for the world's largest paperboard machine, located in Ningbo, China.

OUTLOOK

In the pulp and paper market, GL&V entered the new fiscal year on a positive note, ending the fourth quarter with higher results and a larger backlog, to which major new orders were added in the first quarter of 2003-2004. However, despite an increase in pulp prices compared with December 2002, we remain cautious about this market's outlook due to its persisting weakness, the climate of uncertainty prevailing worldwide, and the slow economic recovery in the United States. Our strategies will therefore be to continue focusing on our core competencies, especially in the aftermarket, as well as on building long-term relationships with customers, further improving our best technologies, tightly managing our costs, and developing a systematic yet prudent approach to certain geographical growth markets.

Solid, Fluid and

GROWING.



MINING AND MINERALS: INTERNATIONAL EXPANSION AND TECHNOLOGICAL LEADERSHIP

Following the acquisition of EIMCO and the integration of its technological portfolio with DORR-OLIVER's, mining and minerals will become GL&V's largest market. The combination of DORR-OLIVER's and EIMCO's businesses provides GL&V with an impressive selection of engineered products applying to various phases of mining operations (underground extraction, ore processing, mine tailing and wastewater treatment), as well as to different fields of operations (base metals, precious stones and metals, aluminum and lubricating oils).

Geographically, the merger more than tripled the Process Group's sales and resources in some of the world's most dynamic mining regions, such as Asia, Latin America, Australia and South Africa. Today, the Process Group operates seven business centres in North America, five in Europe, four in Latin America and four in Asia, South Africa and Australia. This international network offers, on a regional basis, value-added technological solutions along with a full range of aftermarket services.

INDUSTRY TRENDS

In 2002-2003, with the exception of gold and nickel, the price increases for major metals that had been anticipated by several industry analysts failed to materialize due to a combination of factors, including the uncertainty caused by the geopolitical situation, a globally weak economy and, more recently, the fear that the severe acute respiratory syndrome (SARS) would affect demand from China, the world's leading metal importer. Consequently, average prices for most base metals fell below their record low of 2001.

Coupled with the poor performance of the U.S. manufacturing sector and high energy costs, weak metal prices led to a 7% decline in the U.S. metals production value, and the closing of several mines. *(Source: Staff, U.S. Geological Survey)*

However, the decline in North American production is not only related to current business conditions. It is also of a structural nature, as mining and minerals production is gradually shifting from the Northern Hemisphere to the Southern Hemisphere. For instance, between 1990 and 2000, the worldwide production of copper decreased by 13% in the United States and Canada, while it increased by 58% in the rest of the world, especially in Chile and Indonesia. Although zinc production virtually stagnated in North America during the same period, it grew by 50% in Australia and by 188% in China, the world's two major zinc-producing countries. *(Source: Staff, U.S. Geological Survey)*

DORR-OLIVER EIMCO is well positioned to take advantage of this trend thanks to its enhanced presence in emerging markets on the one hand, and its important presence in the North American spare parts and aftermarket business on the other.

Despite the current economic uncertainty, core factors continue to work in favour of a recovery in the mining industry over the short term. In fact, the demand for most metals exceeds supply, whereas inventories are currently very low. In the opinion of some analysts, price increases should start to materialize in the second half of 2003, and intensify in 2004, leading to mine reopenings and the launch of new development projects around the world.





Left: Aerial view of a deep cone paste thickening facility at a diamond recovery plant in South Africa
Right: Deep cone paste thickener
Following page: Gear inspection in DORR-OLIVER EIMCO's Salt Lake City facility

NORTH AMERICA: STRONG POTENTIAL IN AFTERMARKET SERVICES AND ENVIRONMENTAL TECHNOLOGIES

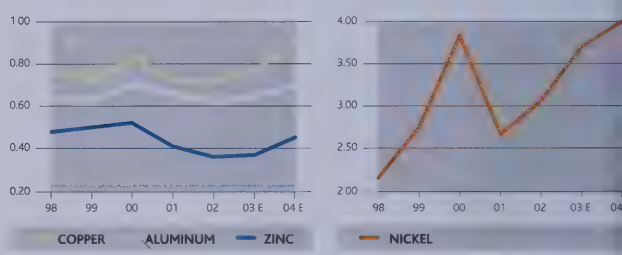
Last year, up until the EIMCO acquisition, the Process Group mostly focused on recapturing DORR-OLIVER's former customer base in the mining sector, in order to grow its aftermarket business. For the second year in a row, this strategy enabled it to significantly increase its profit margins, even though its sales decreased due to weak investments in new capital assets by the mining industry and the closure of many mines. The November 2002 acquisition of EIMCO greatly enhanced the Process Group's growth potential in the aftermarket, given the extensive base of EIMCO equipment in operation across the continent.

Another particularly attractive niche for the Process Group in North America is the environmental aspect of mining and minerals, more specifically the treatment and disposal of mine tailings. Not only is this a growth market given increasingly strict governmental requirements, but GL&V now combines two of the best technologies in that field: the DORR-OLIVER® and EIMCO® high-density thickening systems. These relatively new processes involve the dewatering of mine tailings and their thickening into a paste backfill, which will be subsequently returned to the mine site or disposed of in a landfill, in an environmentally-friendly and safe fashion. This dewatering process increases throughput speed and reduces the operational cost compared to conventional technologies. DORR-OLIVER and EIMCO have developed complementary high-performance systems that today enable GL&V to meet its mining and minerals customers' specific needs. These technologies offer the Company strong potential not only in North America, but also in South America and other parts of the world.

HISTORICAL AND FORECASTED PRICES FOR MAJOR BASIC METALS IN THE WESTERN WORLD

Average price per pound

(in US$)



Source: Scotia Capital, Base Metal Quarterly, May 2003

A NEW INTERNATIONAL PROFILE

During the first half of fiscal 2003, despite a major slowdown in demand in Europe, the Process Group made significant progress in other mining regions worldwide, including the fast-growing aluminum industry in China and the aftermarket in South Africa and Latin America.

Acquiring EIMCO strongly enhanced the Process Group's international profile by strengthening its position and boosting its business volume as a global supplier to the mining and minerals industry. For instance, the integration of EIMCO doubled the Group's workforce in Europe, where it now operates five business centres in Germany, France, England, Italy and Spain. Banking on a well-filled order backlog and a broader range of technological solutions, DORR-OLIVER EIMCO expects its European sales to rise sharply in 2004. It will also be in a better position to seize future growth opportunities in the mining industry, including the development of the Russian industry expected within two to five years.



THE MINING INDUSTRY IN EMERGING MARKETS: A MAJOR GROWTH ENGINE FOR GL&V OVER THE SHORT AND MEDIUM TERMS

In South America, the DORR-OLIVER EIMCO business merger strengthens GL&V's foothold in Chile, Brazil, Venezuela, Colombia and Peru, areas likely to experience strong growth in the mining of base metals such as copper and zinc. It should also be noted that GL&V was recently awarded a major contract for the upgrading of a lubricating oil refinery in Colombia to supply its dewaxing technology, one of the most renowned worldwide, as a result of the DORR-OLIVER and EIMCO merger.

The EIMCO acquisition almost quadruples our sales in Australia, ranking GL&V as the second largest supplier of process equipment for what is known as one of the major mining industries worldwide. Among other things, Australia has the richest proven resources of lead, nickel and zinc in the world, and is one of the top six producers of gold, bauxite and cobalt. Investments in the extraction and processing of ore and metals posted strong growth last year, mainly because of the brisk demand stemming from Asia. This trend should hold in 2004 and 2005, in light of several new projects that have been announced there. This market also offers attractive potential for mine site rehabilitation technologies, given the increasingly stringent environmental regulations.

The acquisition of EIMCO triples the Process Group's mining revenues in South Africa as well. It is particularly the case for our tailing treatment technologies and aftermarket services, where we combine an impressive installed base of DORR-OLIVER and EIMCO equipment, notably in the gold sector. The South African market also offers good opportunities for new equipment, including for the growing industry of precious metals such as platinum and gold. Among other things, a significant increase in gold production is expected between now and 2007 in South Africa, where three new mines will be started up.

In addition, a large copper industry is being re-established in Zambia, which we serve from our South African business centre. As DORR-OLIVER and EIMCO have a vast installed equipment base in Zambia, we are receiving significant aftermarket, refurbishment and modernization orders from that country.

Finally, the Process Group today has two operation centres in Asia – one in Singapore and the other in Beijing – which not only serve the mining and minerals industry, but also the chemicals industry as well as the industrial and municipal environmental industries. We are on the lookout for business opportunities emerging in the Chinese mining industry, mostly with regards to alumina and zinc production.

OUTLOOK

Our growth outlook in the world mining and minerals industry is highly promising. The integration of EIMCO being almost finished, its impact will materialize in the coming quarters. Besides completing the integration, our objectives for fiscal 2003-2004 are to optimize the extended range of technologies arising from the DORR-OLIVER EIMCO business combination, to further develop our aftermarket potential, and to map out targeted international expansion strategies.


Energetic, Pure and
VITAL.

WATER TREATMENT: A NEW SOURCE OF DIVERSIFICATION AND LONG-TERM GROWTH FOR GL&V

Through its Process Group, GL&V has been active for several years in the wastewater treatment equipment market, where it mainly served industrial customers involved in the pulp and paper, mining and minerals, chemicals, petrochemicals and food industries. In 2000, the acquisition of Environmental Equipment & Systems, Inc., in the United States, provided the Group with complementary expertise in the treatment of municipal wastewater to be redirected into lakes and rivers. However, it is the acquisition of EIMCO that will really fuel our growth in the promising municipal environmental market, by adding the treatment of drinking water to our existing know-how.

Today, GL&V has a critical mass of approximately $75 million sales in environmental technologies, primarily in the North American municipal market. The DORR-OLIVER EIMCO business combination provided us with an extensive selection of versatile, reliable and economical technologies that maximize water treatment efficiency while minimizing facility maintenance costs.

MARKET POTENTIAL

The total water market in the United States (including all equipment, products and services related to the treatment of wastewater and drinking water) is currently valued at US$95 billion. The drinking water treatment sector, in particular, is expected to experience steady growth in the coming years, given the obsolescence of existing infrastructures and the requirements of the Safe Drinking Water Act. In fact, the Environmental Protection Agency (EPA) estimates that additional government funding of US$500 billion will be required over the next 20 years, just to fill the gap between the present level of spending and the projected capital spending needed to maintain a sustainable clean water infrastructure. Banking on its competitive high-performance technologies, DORR-OLIVER EIMCO intends to develop its share of this market, which may include the acquisition of complementary businesses, in order to position itself for the complete or partial upgrading of municipal facilities, as well as for spare parts and aftermarket services.

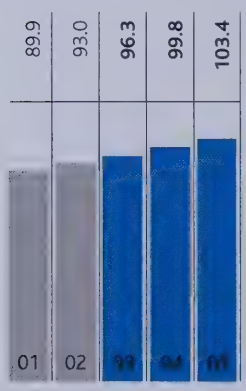
Although we will focus on the North American market, we will look at business opportunities in particularly promising foreign markets such as China, Eastern Asia and Africa, where the needs for clean water for consumption and agriculture are growing very rapidly. These markets could eventually open up a niche for some of our high-end technologies, especially if private sector participation in infrastructure development continues to grow.



A MARKET WHERE INVESTMENTS OF $500 BILLION ARE PROJECTED OVER THE NEXT 20 YEARS

FORECASTED GROWTH OF THE U.S. WATER MARKET

(in billions of US$)



Source: Environmental Business International, Inc.

POSITIONING AND STRATEGY

For the time being, GL&V's municipal environment business is concentrated mainly in the United States. Our strategy in this market is to leverage our expertise in specific product niches where our technologies give us a competitive edge. Our flagship products include sedimentation equipment, the Carrousel® biological process, clarifiers and digestion systems. In June 2003, we announced the signing of a contract worth more than $4 million as part of the expansion of the water treatment plant for a major city in the Southwestern United States, for which we will supply two 150-square-foot reactor-clarifiers. Once the installation is complete, at the beginning of 2005, our equipment will be used to soften the drinking water prior to filtration. In the early 1990s, EIMCO had already delivered four similar clarifiers to the same municipality. The quality of the water treated and the equipment's low maintenance cost led to GL&V being awarded this second major order.

DORR-OLIVER EIMCO has also established a presence in some foreign markets where it has successfully put together an efficient sales force and outsourcing network. For instance, we have already installed municipal equipment in Mexico, Spain, Germany, the United Kingdom and China, a market that is currently the focus of major investments in new water treatment infrastructures. In Latin America, where the market promotes a turnkey approach, DORR-OLIVER EIMCO has participated in various projects as part of joint ventures.





Left: Clarifier with cage, rake and drive at a Detroit wastewater treatment facility
Right: Maintenance service
Previous page: Reactor Clarifier used for drinking water treatment

In the coming years, DORR-OLIVER EIMCO will further develop its technological platform in the treatment of wastewater and, especially drinking water, and will actively look for acquisition opportunities.

We will also strive to carve out a few targeted markets abroad, with products adapted to their needs and a well-established network of subcontracting manufacturers. In some markets, we will seek to form partnerships with local contractors.



A Carrousel® System installed at a wastewater treatment in Escambio County, Florida


Unlock the
POTENTIAL.

TUNED TO OUR MARKETS:
A PROACTIVE APPROACH TO PRODUCT DEVELOPMENT

GL&V is committed to constantly upgrading its product offering, not only to meet the current and specific needs of its customers worldwide, but also in light of its reading of future market trends. Whether it's for new equipment or for existing equipment retrofits, in the pulp and paper industry, the mining and minerals industry, the municipal environment or other markets we serve, the primary goal of our development efforts is to maximize our customers' return on investment. In support of its North American and international strategy, GL&V has a dynamic, formal technological development program. We focus on projects that can rapidly be brought to market and that will have a tangible impact on customers' operating performance.

GL&V was one of the first equipment suppliers to adopt a systematic commercial and technological development strategy tailored specifically to the aftermarket, mostly in North America. This turned out to be the right strategy, as shown by the Company's sustained profitability throughout economic cycles. We also continue to develop and promote new capital equipment among our flagship products, i.e. those that differentiate our offering from the competition and have solid aftermarket potential. Since they are recurring and yield attractive profit margins, aftermarket revenues represent a reliable source of funds, part of which can be reinvested in the development and/or acquisition of new products.

GL&V congratulates its R&D and sales teams for their skill in identifying and understanding present and future market needs, to develop and rapidly bring to market attractive products that meet the Company's and its customers' objectives. Here are a few examples.

PULP AND PAPER GROUP

This year, the Pulp and Paper Group launched three new products or significant product enhancements, which all achieved commercial success.

To meet customers' needs for lower cost, easily replaceable components for disc filters (which notably recover fibre and water to be reused in the paper manufacturing process), we successfully introduced a new lighter-weight and higher-performance Disc Filter Cassette Sector, that is simpler and less costly to install and maintain. In addition, our new BTF® headbox automatic dilution system, designed for the manufacturing of all grades of paper, has been enhanced with new features to improve sheet formation and increase operating flexibility. This high-potential technology can be sold as part of a new system or installed on an existing headbox. Since the beginning of 2003, GL&V has landed orders for nine BTF® headbox systems in North America, the Middle East and Asia.

Finally, we launched our new DD4500 pulp refiner upgrade, whic improves performance for uniform fibre quality while conside ably reducing the cost of operating and maintaining existin refiners. Since market introduction of our DD4500 Refiner, 5 units have been installed as part of customers' new capital inves ment projects or equipment upgrades.

PROCESS GROUP

Combining DORR-OLIVER's and EIMCO's products and techno logies has greatly improved our ability to offer the best solution and for a wider range of applications. We intend to build upon th advantage by investing in the development of new technologi and advances in our existing technologies.

In the **minerals processing** market, GL&V is a world leader in th emerging technologies of high-density thickening for the trea ment of tailings. Producing thickened tailings or "paste", th technology helps reduce waste disposal costs, increase wat recovery and optimize environmental benefits. With more tha 40 paste thickeners installed worldwide, we are currently advan ing this technology into other applications. GL&V is also one the world's leading manufacturers of flotation cells, which a used for the recovery of metals and minerals. We are current developing a new generation of flotation cells which will off unique design features to improve metallurgical performanc while yielding significant installation and operating cost sa ings compared to systems currently used in the market.

In the **municipal environmental** market, we have embarked o a technological development program to refine the design of o clarifying technology Inclined Plate Settlers (IPS), which hel optimize the available settling area of sedimentation basins us in municipal water treatment. Applicable to either an upgrade a new installation, the latest version of our IPS technology offe important performance and cost advantages, including a long life than conventional plates. Two units have been installed so f In addition, we recently launched a new Cable Driven Slud Collector used to collect the contaminants from the water treat in sedimentation basins. This new device enhances our line mechanically-driven and pneumatically-driven Sludge Collecto more than 1,000 of which are currently in service worldwi Finally, DORR-OLIVER EIMCO is testing a new technology th will improve the oxygen transfer efficiency of the low spe aerators of its Carrousel® System.

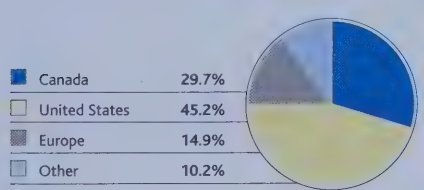
THE QUALITIES OF THE INDUSTRIAL SOLUTIONS SPECIALIST: INGENUITY, KNOW-HOW, HANDS-ON EXPERTISE AND RIGOUR

GL&V takes pride in the knowledge and expertise of its employees. They are the resources we depend on to develop innovative products, winning strategies and increasingly efficient ways of managing our customers' projects. GL&V's close to 1,500 employees share the same vision and commitment: to serve our customers faster and at a better cost than the competition with a range of high-quality products and services, and to develop, in partnership with them, the technological and economical solutions best adapted to their needs.

All our employees are encouraged to show initiative and entrepreneurship, whether it be in project management, customer relations, or in any other aspect of day-to-day management. Our organization is flexible, decentralized and close to our markets, which gives customers access to key personnel at all times. This simplifies the decision-making process, and helps develop long-term relationships built on mutual trust and integrity.

It is by developing the full potential of our human resources that we succeed in enabling our customers to unlock their own potential.

GEOGRAPHIC BREAKDOWN OF STAFF
AS AT MARCH 31, 2003





MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY'S OPERATING RESULTS AND CHANGES IN FINANCIAL POSITION FOR THE FISCAL YEARS ENDED MARCH 31, 2003 AND 2002, AS WELL AS ITS FINANCIAL POSITION AT THOSE DATES, SHOULD BE READ IN CONJUNCTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS APPEARING IN THIS ANNUAL REPORT. SOME SECTIONS OF THE ANALYSIS CONTAIN FORWARD-LOOKING STATEMENTS WHICH, BECAUSE OF THEIR NATURE, NECESSARILY INVOLVE A NUMBER OF UNCERTAINTIES AS WELL AS KNOWN AND UNKNOWN RISKS. THE COMPANY'S ACTUAL AND FUTURE RESULTS COULD THEREFORE DIFFER MATERIALLY FROM THOSE INDICATED OR UNDERLYING THESE FORWARD-LOOKING STATEMENTS. SUCH RISK FACTORS INCLUDE THE TRENDS IN DEMAND FOR OUR PRODUCTS AND THE COSTS OF OUR RAW MATERIALS, FLUCTUATIONS IN THE VALUE OF VARIOUS CURRENCIES, COMPETITIVE PRESSURES EXERTED ON SELLING PRICES, COMPLIANCE WITH ENVIRONMENTAL REGULATIONS, AND GENERAL CHANGES IN ECONOMIC CONDITIONS.

UNLESS INDICATED OTHERWISE, ALL AMOUNTS ARE IN CANADIAN DOLLARS.

MAJOR EVENT OF FISCAL 2003

On November 8 2002, (effective November 1, 2002) GL&V acquired most of the assets and liabilities of the EIMCO Division of Baker Hughes Incorporated. This acquisition, the largest in the Company's history, considerably modified GL&V's profile, financial structure, breakdown of revenue sources and future financial prospects. For instance, due to EIMCO's extensive base of operations in markets other than pulp and paper, the Company's exposure to this industry will be reduced from approximately 70% of its total annual revenues, to between 35% and 40%.

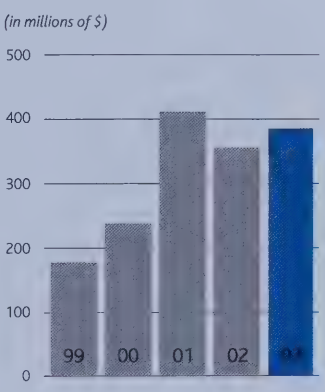
EIMCO also places GL&V in an advantageous position in sectoral and geographical markets with promising growth potential, including municipal water treatment and certain emerging countries such as China. Finally, given the significant synergies between the two organizations, the integration of EIMCO will contribute significantly to the Company's profitability.

OPERATING RESULTS

During the fiscal year ended March 31, 2003, GL&V's **revenues** totalled $382.6 million compared with $352.6 million the previous year. This $30.0 million or 8.5% increase is attributable to the additional sales of $74.5 million from EIMCO between November 1, 2002 (the effective date of purchase) and March 31, 2003. Excluding the acquisition, the Company's revenues decreased by 12.6% due to the economic slowdown in the United States and Europe, as well as difficult market conditions for the main industries served by GL&V, namely pulp and paper, mining and minerals and energy .

Geographically, 85.7% of last year's revenues were from customers outside Canada, compared with 79.3% the previous year. Sales to U.S. customers accounted for 54.6% of our business volume, up from 51.9% the previous year. Revenues from Canadian customers accounted for 14.3% of total sales, compared with 20.7% in 2002. Finally, European customers and those in other geographical markets together accounted for 31.1% of sales versus 27.4% the previous year.

REVENUES FROM CONTINUING OPERATIONS



Compound annual growth rate since 1999: 21.4%

GL&V's **gross profit** rose 9.5% to $103.8 million, driven mainly by the additional revenues generated by EIMCO. It should be noted that depreciation and amortization expenses, which are included in the cost of contracts and goods sold, grew by $0.5 million to $8.3 million.

Despite intensified competition because of difficult market conditions, GL&V's **gross profit margin** grew from 26.9% in 2002 to 27.1% in 2003. This improvement can be explained mainly by aftermarket operations other than EIMCO's. For its part, EIMCO currently derives most of its revenues from major capital projects. The gross profit margin therefore declined slightly in the fourth quarter due to EIMCO's impact on GL&V's sales mix, as margins on revenues from major capital projects are generally lower than those on revenues from the aftermarket. During fiscal 2003 as a whole, the aftermarket generated 52.3% of the Company's consolidated revenues, compared to 52.1% in the previous year.

Total **selling and administrative expenses** increased by $12.5 million or 18.8%. Selling expenses, in particular, rose 29.0%, from $36.1 million to $46.6 million, due to the acquisition of EIMCO. Excluding the latter, selling expenses were up by 3.0% only. Even with the EIMCO acquisition, administrative expenses increased slightly, from $30.6 million to $32.7 million. Excluding EIMCO, they actually decreased by 8.0%. Selling and administrative expenses are expected to decline significantly as of fiscal year 2004, especially in the second half of the year, as the synergies arising from the integration of EIMCO materialize. GL&V maintained an R&D budget equivalent to the previous year's, in the amount of $3.2 million (plus capitalized costs of $0.6 million for product development and improvement as part of special projects).

Consequently, GL&V recorded earnings before financial expenses, income taxes, non-controlling interest and amortization of goodwill or **EBIT** of $15.7 million, compared with $19.8 million the prior year. As mentioned previously, this 20.7% decline is mainly attributable to higher selling and administrative expenses.

In addition, GL&V incurred **non-recurring** integration and restructuring **costs** of $5.6 million (before taxes), compared with $4.9 million in the previous year. Non-recurring costs for the last fiscal year, consisting largely of severance pay and employee benefits, are broken down as follows:

- a $1.7 million cost associated with the rationalization of the Pulp and Paper Group in North America, primarily the transfer of its manufacturing operations from Nashua, New Hampshire to external subcontractors and to GL&V Manufacturing's plant in Trois-Rivières, Quebec;

- a $1.0 million provision related to the closing, effective in June 2003, of the Process Group's foundry in Orillia, Ontario, a non-strategic business whose results had been affected by weak markets for several quarters;

- a $2.2 million cost relating to GL&V's facilities during the integration of EIMCO; and

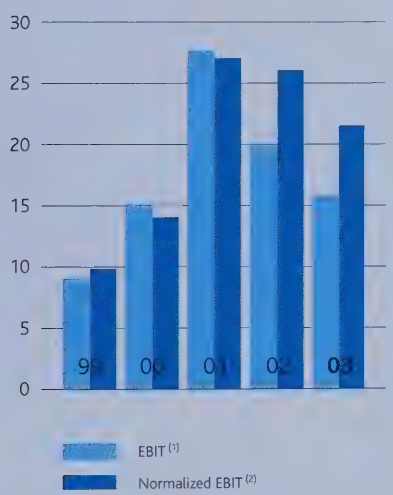
- a $0.7 million write-off of deferred financial expenses upon the renegotiation of the Company's bank credit facilities, as part of the EIMCO acquisition.

Furthermore, GL&V incurred a net loss of $0.1 million on the disposal and write-off of various assets during fiscal 2003 (excluding the write-off of deferred financial expenses), versus a net loss of $1.1 million $ in 2002.

Excluding the non-recurring costs and the net loss on the disposal and write-off of assets, **normalized EBIT** (earnings before financial expenses, income taxes, non-recurring costs, net losses on the disposal and write-off of assets – excluding the write-off of deferred financial expenses –, non-controlling interest and amortization of goodwill) amounted to $21.4 million, compared with $25.9 million in 2002.

EBIT AND NORMALIZED EBIT

(in millions of $)



Compound annual growth rates since 1999:
(1) 14.8% and (2) 21.5%

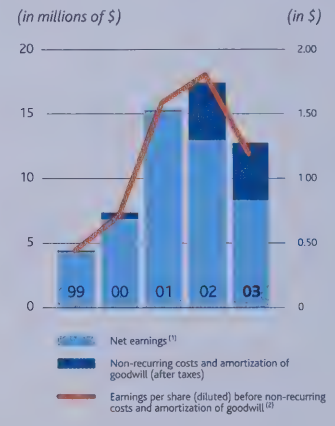
GL&V's **financial expenses** increased by $3.0 million, from $2.1 million to $5.1 million. Besides the debt-financing of part of EIMCO's acquisition cost, this increase is largely attributable to the recognition of an exchange loss of $0.6 million in 2003, as opposed to an exchange gain of $1.0 million in 2002.

Earnings before income taxes therefore totalled $10.6 million, compared with $17.8 million in 2002 (before non-controlling interest and amortization of goodwill in the amount of $0.6 million). The effective **tax rate** declined from 27.0% in 2002 to 22.1% in 2003, thanks to the tax benefits stemming from the inclusion of EIMCO in GL&V's international corporate structure.

Consequently, GL&V posted **net earnings** of $8.3 million in 2003, compared with net earnings of $12.9 million in 2002 ($13.5 million before amortization of goodwill). Giving effect to the issue of 2,500,000 shares in October 2002, **earnings per share** amounted to $0.79 ($0.76 diluted) on a weighted average of 10.5 million shares outstanding in 2003, compared with earnings per share before amortization of goodwill of $1.44 ($1.40 diluted) and earnings per share of $1.37 ($1.34 diluted), based on 9.4 million shares in 2002.

For information purposes, **non-recurring costs** had an after-tax impact of $4.5 million on net earnings for 2003, as opposed to a net impact of $3.7 million the prior year. Without these costs, net earnings would have amounted to $12.7 million or $1.21 per share ($1.17 diluted) in 2003, compared with $17.3 million (before amortization of goodwill) or $1.83 per share ($1.79 diluted) in 2002. These results correspond to a 13.2% **return on shareholders' equity** for 2003, compared with 23.1% in 2002. It should be pointed out that besides the decline in net earnings, the lower ROE in 2003 can be explained by the issue of new capital stock in the second half of the year.

NET EARNINGS AND EARNINGS PER SHARE (diluted)



Compound annual growth rates since 1999: (1) 17.8% and (2) 28.4%

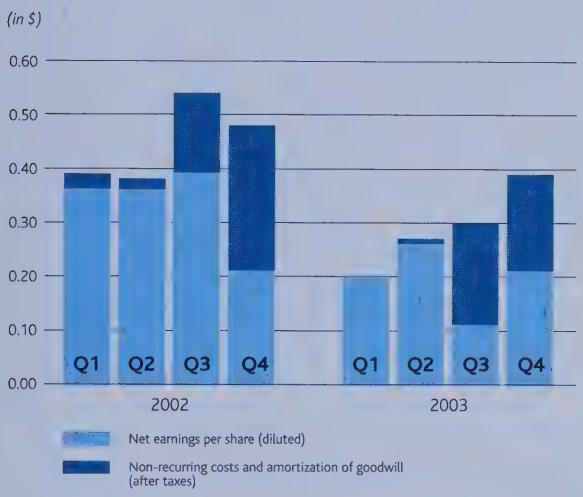
PRINCIPAL QUARTERLY FINANCIAL DATA (UNAUDITED)

(in thousands of $, except per-share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal year ended March 31, 2003				
Revenues	**74,511**	**78,876**	**103,671**	**125,531**
Net earnings	**1,915**	**2,531**	**1,281**	**2,528**
• per share, basic	**0.20**	**0.27**	**0.11**	**0.21**
• per share, diluted	**0.20**	**0.26**	**0.11**	**0.21**
Net earnings before non-recurring costs (net of taxes)	**1,915**	**2,531**	**3,488**	**4,814**
• per share, basic	**0.20**	**0.27**	**0.31**	**0.40**
• per share, diluted	**0.20**	**0.26**	**0.30**	**0.39**
Fiscal year ended March 31, 2002				
Revenues	95,740	85,227	86,873	84,788
Net earnings	3,643	3,520	3,755	2,002
• per share, basic	0.38	0.37	0.40	0.21
• per share, diluted	0.36	0.36	0.39	0.21
Net earnings before non-recurring costs and amortization of goodwill (net of taxes)	3,800	3,677	5,197	4,593
• per share, basic	0.40	0.39	0.56	0.49
• per share, diluted	0.39	0.38	0.55	0.48

The quarterly trend in GL&V's results reflects the impact of the EIMCO acquisition on the Company's sales. After declining by 15.2% in the first half of 2003 over the same period in 2002, revenues grew by 33.5% in the second half. They increased by 19.3% in the third quarter, as EIMCO contributed to results for the last two months of the period. During the fourth quarter, sales jumped 48.1% to a record high of $125.5 million, thanks to EIMCO's full contribution and the Pulp and Paper Group's renewed growth.

QUARTERLY EARNINGS PER SHARE (diluted)



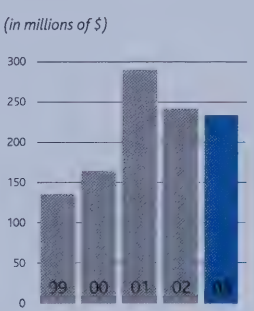
SEGMENTED PERFORMANCE

For fiscal 2003 as a whole, the **Pulp and Paper Group's** sales decreased by $7.6 million or 3.1% to $233.2 million, due mainly to difficult market conditions in North America, especially in the first half of the year. For the same reason, its EBIT declined from $4.4 million to $3.2 million. These results include non-recurring restructuring costs of $1.7 million in 2003 and $3.9 million in 2002. However, this group's performance gradually improved from one quarter to the next.

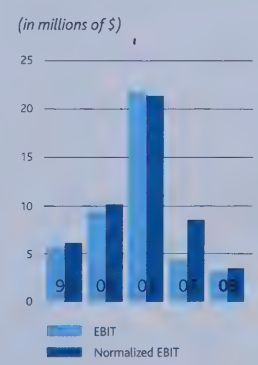
During the fourth quarter in particular, its sales rose 13.7% over the same period of the previous year, thanks to a slight improvement in market conditions and, more importantly, to the success of its strategy to optimize its North American customers' existing equipment on a regional basis. Also in the fourth quarter, its EBIT improved by $4.7 million, from a $2.8 million loss in 2002, to a $1.9 million profit in 2003.

PULP AND PAPER GROUP

Revenues



EBIT and normalized EBIT

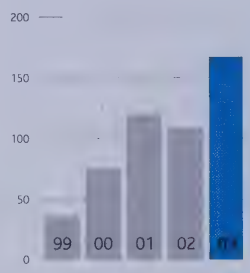


The acquisition of EIMCO increased the **Process Group's** revenues by 54.5% or $58.7 million to $166.5 million. Excluding EIMCO, although its profitability rose, this group's sales declined by $15.8 million or 14.7%, due to the weakness of the mining and minerals industry in North America and the economic slowdown in Europe. Despite non-recurring costs of $3.2 million compared with $1.0 million the previous year, its EBIT grew from $9.0 million to $9.4 million. Besides EIMCO's positive contribution, especially in the fourth quarter, the group's other units improved their profit margins by developing their aftermarket business. EBIT rose from $3.1 million to $4.5 million in the fourth quarter despite non-recurring costs of $1.3 million.

PROCESS GROUP

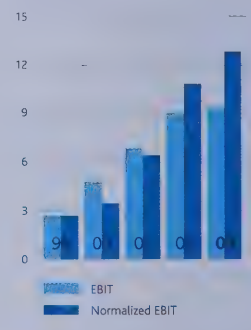
Revenues

(in millions of $)



EBIT and normalized EBIT

(in millions of $)



Although **GL&V Manufacturing** maintained its business volume in the pulp and paper industry, the sharp downturn in the U.S. energy infrastructures market led to a $2.6 million or 8.5% decline in its sales. Besides lower revenues, fiercer competition in the pulp and paper industry and the learning curve associated with the production of components transferred from Nashua also affected EBIT, which decreased from $2.6 million to $0.2 million.

GL&V MANUFACTURING

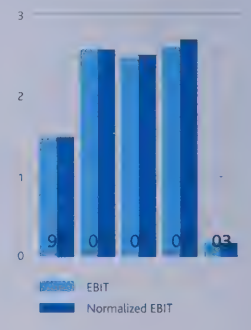
Revenues

(in millions of $)



EBIT and normalized EBIT

(in millions of $)

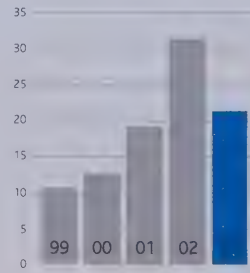


PRINCIPAL CASH FLOWS

During the last fiscal year, **cash flows from operations** (before net change in non-cash balances related to operations) amounted to $21.3 million versus $31.3 million in 2002. Non-cash balances related to operations used cash flows of $4.3 million compared with $12.0 million in 2002, which can be generally explained by the schedule of work in progress and the corresponding billing. Therefore, operating activities for fiscal 2003 provided **available cash flows** of $17.0 million, as opposed to $19.3 million the prior year.

CASH FLOWS FROM OPERATIONS[1]

(in millions of $)



Compound annual growth rate since 1999: 19.4%

[1] *Before net change in non-cash balances rela to operations*

The fiscal year's major transaction was the **purchase of most of the assets and liabilities of the EIMCO Division** of Baker Hughes Incorporated, effective November 1, 2002. This acquisition, the Company's largest ever, was finalized for a cash consideration of $59.6 million, after accounting for the $18.0 million downward adjustment of the initial purchase price (including the buyback by the vendor of some of the accounts receivable), concluded upon acceptance of the closing balance sheet as at March 31, 2003. More specifically, GL&V acquired assets of $125.8 million consisting mostly (in a 62.1% proportion) of accounts receivable, inventories and work in progress, less the assumption of current liabilities of $66.2 million, comprised mainly of accounts payable. Consistent with our acquisitions strategy, the purchase of EIMCO included a minimum of fixed assets (less than $10 million), consisting primarily of equipment and information systems. We also acquired other assets worth $13.2 million, mostly proprietary rights and patents. Finally, the purchase price included $20.3 million in goodwill, of which approximately $13.2 million consisting of the capitalized costs and provisions associated with the integration of EIMCO. This amount includes the expenses still to be incurred in 2003-2004 in order to complete the final phase of EIMCO's integration.

With regard to **other principal investments** in fiscal 2002-2003, we purchased fixed assets worth $8.9 million, some $3.0 million of which for new equipment at GL&V Manufacturing, where part of the production formerly carried out at the Pulp and Paper Group's facilities in Nashua was transferred. GL&V also collected proceeds of $2.8 million on the disposal of the Nashua plant's equipment. Finally, we invested a net amount of $0.6 million in temporary and long-term investments, as well as $0.4 million in other assets, primarily capitalized product development costs as part of specific projects.

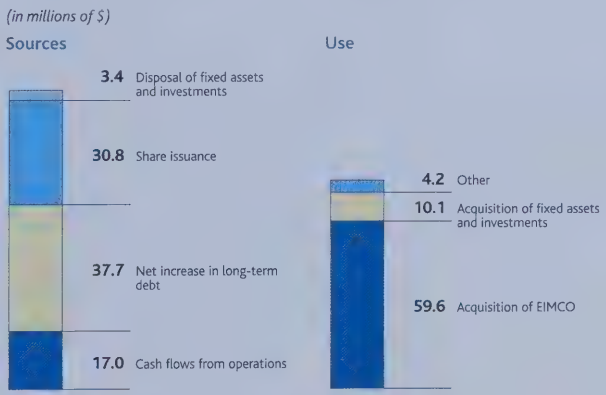
To finance the EIMCO acquisition, refinance the existing debt and provide for its future expansion needs, GL&V concluded **two major financing arrangements**.

On October 18, 2002, we completed the private placement of 2,500,000 Class "A" subordinate voting shares for net proceeds of $30.8 million (including the exercise of the over-allotment by underwriters). On November 7, 2002, GL&V renegociated its credit facilities with two financial institutions for a total of $135.0 million, including $95.0 million in the form of a term loan, and the balance in the form of an operating margin. The Company used part of the new term loan to refinance a total of $57.3 million in existing long-term debt. Deferred financing expenses increased by $3.4 million.

Finally, subsequent to the renewal of its normal course issuer bid, GL&V purchased, for cancellation purposes, 28,800 Class "A" subordinate voting shares for a consideration of $0.4 million.

The principal cash inflows and outflows described above provided net cash flows of $11.6 million, bringing our **cash and cash equivalents** from $25.2 million as at March 31, 2002, to $36.8 million at the end of the last fiscal year. $9.6 million of these excess funds were applied to the repayment of long-term debt during the first quarter of the current fiscal year.

SOURCES AND USE OF FUNDS IN 2002-2003



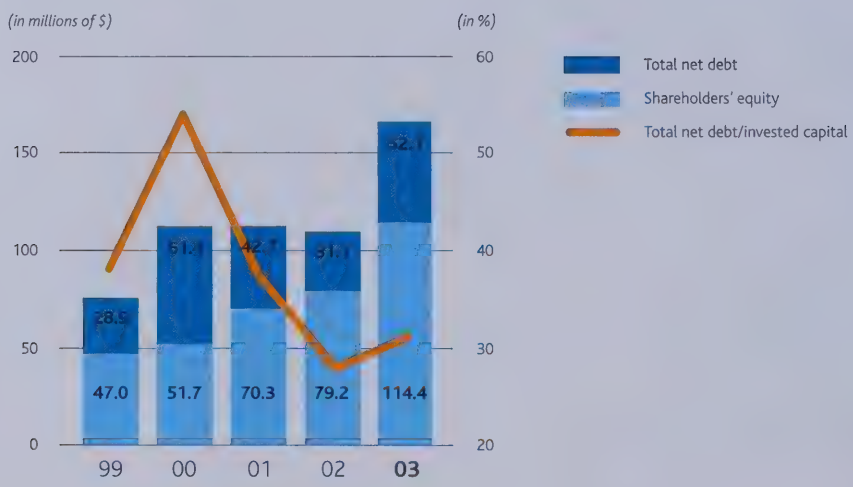
FINANCIAL POSITION

GL&V's financial position was significantly modified by the acquisition of EIMCO and the two financing arrangements described previously. **Total assets** grew by 50.8% to $332.5 million as at March 31, 2003. At the same date, **working capital** amounted to $93.6 million for a current ratio of 1.79:1, compared with $81.3 million for a 2.32:1 ratio a year earlier. The principal changes in non-cash assets and liabilities can be explained by the EIMCO acquisition.

For the same reason, **goodwill** rose from $13.0 million to $32.0 million, this amount being mainly attributable to the Process Group. In accordance with the new accounting principles, the Company carried out goodwill impairment tests on April 1, 2002 and December 31, 2002, and determined that its goodwill had not sustained an impairment loss. From $5.7 million as at March 31, 2002, proprietary rights, patents and other assets had increased to $19.3 million as at March 31, 2003, given the acquisition of EIMCO. The net book value of **fixed assets** increased from $52.3 million to $60.4 million.

After accounting for the year's share issue and net earnings, **shareholders' equity** grew by 44.5% to $114.4 million or $9.60 per share as at March 31, 2003. **Long-term debt** (including the current portion) amounted to $89.9 million at the close of the last fiscal year, compared with $56.4 million a year earlier. Deducting available cash, total net debt stood at $52.1 million versus $31.1 million the prior year. Despite the major acquisition completed during the year, the total net debt to invested capital ratio only rose from 28.2% to 31.3% between March 31, 2002 and 2003.

CAPITAL STRUCTURE
(as at March 31)



OUTLOOK, REQUIREMENTS AND SOURCES OF FUNDS IN 2003-2004

As at March 31, 2003, the Company's **order backlog** totalled $217 million, up 99.0% over the previous year. Three months later, by the end of the first quarter on June 30, 2003, it stood at more than $255 million subsequent to the signing of several major contracts, including a $35 million order for the Process Group in China, and mandates totalling more than $30 million for the Pulp and Paper Group worldwide.

Therefore, GL&V anticipates significant sales growth in 2003-2004, which will be generated mainly by EIMCO's full contribution. With regards to profitability, we remain confident that the projected annual recurring savings will materialize during the year. These savings consist primarily of labour costs, which the Company will replace, if need be, by its use of external subcontractors in accordance with its operational strategy.

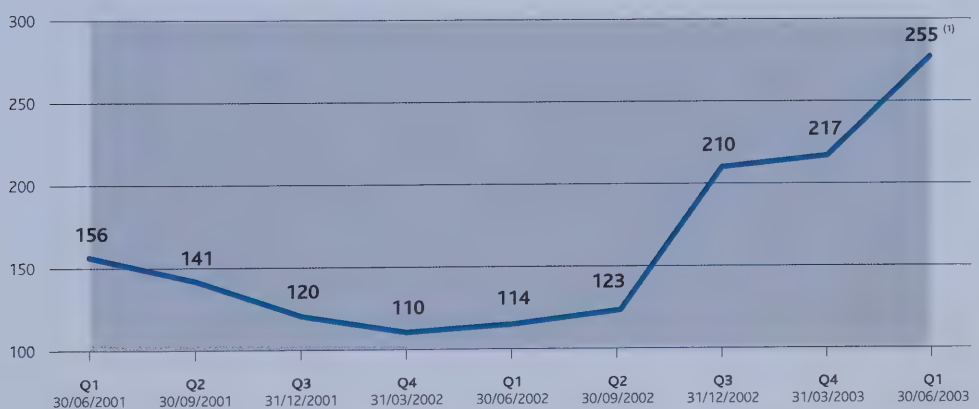
For fiscal 2004, capital expenditures of over $5 million are planned, primarily to maintain day-to-day operations. We also plan to repay close to $25 million in long-term debt and to carry on our normal course issuer bid.

GL&V's available cash, cash flows from operations and the possible divestiture of other non-strategic assets should suffice to provide for our regular funding requirements in 2003-2004. As at March 31, 2003, the Company also had available unused credit facilities of approximately $25 million, which will facilitate the pursuit of its expansion through strategic acquisitions.

As for dividends, the policy of GL&V's Board of Directors is to assess every year the relevance of paying a dividend in light of the Company's investment and acquisition projects, strategic objectives, the respect of its financial ratios and available cash. Considering the major acquisition made in the last fiscal year, the Company did not pay any dividends in 2002-2003.

ORDER BACKLOG

(in millions of $)



(1) Including the balance of approximately $30 million on a major contract in China

RISKS AND UNCERTAINTIES

The risk factors and uncertainties described below are those to which the Company is significantly exposed. GL&V is exposed to other risks and uncertainties of lesser importance, which could become important in the future. The Company could also be exposed to risks and uncertainties that it does not currently know about. Besides this section, notes 1, 24, 25 and 26 to the consolidated financial statements present information relating to risks and uncertainties.

The Company carries on its operations in markets exposed to various risk factors and uncertainties. More specifically, the Company has been affected for several quarters by the downward cycle in the pulp and paper industry. Weak pulp prices worldwide have made major capital projects rather scarce, pulp and paper manufacturers being more inclined to rebuild their existing equipment and to use replacement parts and repair services. The Company has adapted to this reality by focusing its efforts on after-sales and spare parts services. In addition, the acquisition of EIMCO has considerably reduced our exposure to the pulp and paper market in favour of other markets served by our Process Group, thereby reducing the impact of the pulp and paper industry's cycles.

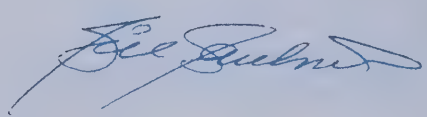
As the Company's business is conducted in several countries and currencies, it is exposed to the risk of currency fluctuations. The major foreign currencies used are the American dollar (USD) and the EURO. Part of our exposure to the risk of currency fluctuations is naturally hedged by our long-term debt denominated in USD. Major contracts awarded to subsidiaries are hedged locally through the recourse to forward exchange contracts. Finally, forward exchange contracts are also used to hedge against the effects of exchange fluctuations on the net cash flows in USD of our Canadian subsidiaries.

Changes in interest rates can have a direct impact on the Company's profitability. The Company uses interest rate swaps to hedge against the risk of fluctuations in interest rates on its long-term debt.

Forward exchange contracts and interest rate swaps are arranged with recognized financial institutions. Considering the solvency of these institutions, the Company estimates it is unlikely that it could sustain losses resulting from the non-compliance of these financial institutions with their obligations.

The Company considers its credit concentration risk to be minimal on account of its diversified operations, products and customers and the geographical distribution of its customers. The Company was not exposed to any unusual credit risk as at March 31, 2003.

The risks relating to estimates as well as major estimates used for the purposes of preparing the consolidated financial statements are described in note 1 to the consolidated financial statements.



William Saulnier
Executive Vice-President and Chief Financial Officer

July 2003

MANAGEMENT'S REPORT

The consolidated financial statements contained in this annual report have been prepared by management in accordance with generally accepted accounting principles and the integrity and objectivity of the data in these financial statements are management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent with the information and data contained in the financial statements. In support of its responsibility, management maintains a system of internal control to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors is responsible for ensuring that management fulfilled its responsibilities for financial reporting and internal control.

The external auditors, KPMG LLP conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Company's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly.

Laurent Verreault
President and Chief Executive Officer

William Saulnier
Executive Vice-President and Chief Financial Officer

Trois-Rivières, May 27, 2003

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Groupe Laperrière & Verreault Inc. as at March 31, 2003 and 2002 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Montreal, Canada
May 27, 2003

CONSOLIDATED BALANCE SHEETS

March 31, 2003 and 2002 (in thousands of dollars)

	2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 36,846**	$ 25,223
Temporary investments	**1,000**	32
Accounts receivable (note 3)	**101,573**	58,311
Income taxes recoverable	**2,001**	3,047
Inventories (note 4)	**45,514**	33,638
Contracts in progress, less progress billings (note 5)	**15,859**	9,189
Prepaid expenses	**3,288**	3,140
Future income taxes (note 6)	**6,773**	10,591
	212,854	143,171
Long-term investments (note 7)	**3,327**	5,176
Fixed assets (note 8)	**60,389**	52,328
Future income taxes (note 6)	**4,728**	1,085
Goodwill (note 9)	**31,960**	13,043
Intellectual property rights and patents (note 10)	**13,439**	1,925
Other assets (note 11)	**5,829**	3,777
	$ 332,526	$ 220,505
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 104,398**	$ 59,599
Future income taxes (note 6)	**488**	452
Current portion of long-term debt (note 12)	**14,325**	1,779
	119,211	61,830
Long-term debt (note 12)	**75,573**	54,599
Other liabilities (note 13)	**9,200**	8,704
Future income taxes (note 6)	**14,122**	16,192
Shareholders' equity:		
Share capital (note 14)	**57,351**	25,195
Retained earnings	**61,127**	54,150
Cumulative translation adjustment	**(4,058)**	(165)
	114,420	79,180
Commitments (note 25)		
Contingencies (note 26)		
	$ 332,526	$ 220,505

See accompanying notes to consolidated financial statements.

On behalf of the Board of Directors:

Laurent Verreault, Director

William Saulnier, Director

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended March 31, 2003 and 2002 (in thousands of dollars, except for per share amounts)

	2003	2002
Revenues	$ 382,589	$ 352,628
Cost of contracts and goods sold	278,781	257,815
	103,808	94,813
Selling expenses	46,585	36,126
Administrative expenses	32,703	30,614
Financial expenses (note 17)	5,104	2,058
Research and development costs	3,243	3,324
	87,635	72,122
Earnings before the following items	16,173	22,691
Non-recurring expenses (note 18)	5,583	4,908
Earnings before provision for income taxes and non-controlling interest	10,590	17,783
Provision for income taxes (note 6):		
Current	(924)	(5,132)
Future	3,259	9,940
	2,335	4,808
Earnings before non-controlling interest	8,255	12,975
Non-controlling interest	–	(573)
Earnings before amortization of goodwill	8,255	13,548
Amortization of goodwill, net of income taxes of $147	–	628
Net earnings	$ 8,255	$ 12,920
Earnings per share (note 19):		
Basic:		
Before amortization of goodwill, net of income taxes	$ 0.79	$ 1.44
Net earnings	$ 0.79	$ 1.37
Diluted:		
Before amortization of goodwill, net of income taxes	$ 0.76	$ 1.40
Net earnings	$ 0.76	$ 1.34

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended March 31, 2003 and 2002 (in thousands of dollars)

	2003	2002
Retained earnings, beginning of year	$ 54,150	$ 44,570
Net earnings	8,255	12,920
	62,405	57,490
Dividends	–	1,874
Premium on share redemptions (note 14)	269	1,466
Class "A" shares issue expenses, net of income taxes of $457	1,009	–
	1,278	3,340
Retained earnings, end of year	$ 61,127	$ 54,150

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2003 and 2002 (in thousands of dollars)

	2003	2002
Cash flows from operating activities:		
Net earnings	$ 8,255	$ 12,920
Adjustments for non-cash items (note 20)	13,048	18,397
Net change in non-cash balances related to operations (net of the effect of business acquisitions and disposal) (note 21)	(4,258)	(12,011)
	17,045	19,306
Cash flows used for financing activities:		
Issue of long-term debt	95,000	61,015
Repayment of long-term debt	(57,266)	(63,328)
Increase in deferred financing costss	(3,419)	(1,191)
Issue of Class "A" subordinate shares	30,784	310
Redemption of shares	(363)	(2,356)
Dividends	–	(1,874)
	64,736	(7,424)
Cash flows used for investing activities:		
Business acquisitions (note 22)	(59,638)	(891)
Disposal of businesses (note 22)	–	(96)
Net change in temporary investments	(968)	108
Acquisition of long-term investments	(210)	(153)
Proceeds on disposal of long-term investments	600	810
Purchase of fixed assets	(8,936)	(5,057)
Proceeds on disposal of fixed assets	2,792	4,729
Net change in other assets	(408)	(1,351)
	(66,768)	(1,901)
Effect of translation adjustments on cash and cash equivalents	(3,390)	(521)
Net increase in cash and cash equivalents	11,623	9,460
Cash and cash equivalents, beginning of year	25,223	15,763
Cash and cash equivalents, end of year	$ 36,846	$ 25,223
Supplemental information:		
Net interest paid	$ 3,724	$ 3,052
Income taxes recovered	1,745	128

See accompanying notes to consolidated financial statements.



The Company, whose head office is in Trois-Rivières, Québec, was incorporated under Part 1A of the Companies Act (Québec). Its main activities are to design, manufacture, rebuild, assemble and install equipment used by various industries.

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Principles of consolidation:

These consolidated financial statements include the accounts of the Company and all of its Canadian and foreign subsidiaries. These subsidiaries are fully owned except for:

- GL&V Pulp and Paper Europe Group APS - 50% owned until June 2001 and 100% thereafter. The accounts of this subsidiary have always been consolidated since the Company held effective control of its operations.

(b) Cash and cash equivalents:

Cash equivalents are restricted to investments having an initial term of three months or less from the acquisition date and are presented at cost which approximates market value.

Cash and cash equivalents include term deposits bearing interest at annual rates of 1.08% to 3.75% and mature in April 2003.

(c) Temporary investments:

Temporary investments are recorded at the lower of cost and market value. Temporary investments consist of a term deposit bearing interest at the annual rate of 2.60% and matures in July 2003.

(d) Foreign currency translation:

The financial statements of self-sustaining foreign operations are translated into Canadian dollars using the current rate method. Differences resulting from this translation are deferred and recorded under a separate heading of shareholders' equity and are only included in earnings when there has been a reduction in the investment in these foreign operations.

Transactions in foreign currencies are translated using the temporal method. Exchange gains and losses are included in financial expenses.

(e) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the amounts of the assets and liabilities reported and the related revenue and expense items. The material sections of the financial statements which require the use of estimates include the determination of future costs related to contracts in progress, warranty and environmental provisions, the useful life of assets for the purposes of computing amortization and the evaluation of the impairment of assets, provision for income taxes and the determination of the fair value of financial instruments. Consequently, it is possible that changes in future conditions in the near term could require a change in the recognized amounts.

(f) Derivative financial instruments:

The Company carries on its operations principally in the Americas and Europe.

The Company is exposed to market risks relating to currency fluctuations. To reduce these risks, it uses derivative financial instruments, such as forward exchange contracts. It does not hold or issue any derivative financial instruments for commercial or speculative purposes. The derivative financial instruments are subject to normal credit terms and conditions, financial controls and management and risk monitoring procedures. In management's opinion, none of the parties to the existing financial instruments is expected to default on their obligations since they are large multinational financial institutions.

Gains and losses on forward exchange contracts are recorded in the statement of earnings at maturity date.

The Company also enters into interest rate swaps in order to manage the impact of fluctuating interest rates on its long-term debt. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. The Company designates its interest rate hedge agreements as hedges of the underlying debt. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps.

Years ended March 31, 2003 and 2002
(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(g) Inventories:

Raw materials are recorded at the lower of average cost and replacement cost. Inventories of finished goods are recorded at the lower of average cost and net realizable value.

(h) Revenue recognition:

The Company uses the completed contract method to record contract revenue other than revenue from long-term contracts for which it uses the percentage-of-completion method. The percentage of completion is determined using the cost-to-cost method, which consists in comparing the costs incurred over total expected costs according to the Company's estimates. The full amount of losses is recorded once it can be estimated. Contracts in progress include direct labour, materials and overhead costs plus any estimated gain on such costs. Progress billings are presented as a reduction of the costs incurred on the contracts in progress.

Revenues from the sale of spare parts and from after sales services are recognized when services are provided or upon delivery.

(i) Income taxes:

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment or substantively enactment date. Future income tax assets are recognized and, if realization is not considered "more likely than not", a valuation allowance is provided.

(j) Long-term investments:

Long-term investments are carried at cost or at equity value for the company subject to significant influence. In the event of a decline in value which is considered to be other than temporary, the investment is written down to its estimated value and the loss is charged to earnings.

(k) Fixed assets:

Fixed assets are recorded at cost. Amortization is provided for using the straight-line method over the following periods:

Asset	Period
Landscaping, paving and fences	10 years
Buildings	20 years
Equipment, furniture and fixtures	5 to 10 years
Molds	10 years
Experimental equipment	20 years
Computer hardware and software	3 and 10 years
Automotive equipment	3 years
Leasehold improvements	Term of leases

(l) Deferred government assistance and investment tax credits:

Deferred government assistance and investment tax credits relating to fixed assets and development costs are recorded using the cost reduction method and amortized on the same basis as the related assets.

(m) Intellectual property rights, patents and other assets:

Intellectual property and patents are recorded at cost and are amortized on a straight-line basis over a period of 10 years.

Research and development expenses include costs relating to specific projects, net of income tax credits, which, in the Company's opinion, have a specific market in the future. These expenses are deferred and amortized on a straight-line basis over a period of three to five years. All other research and development expenses are expensed in the year they are incurred.

Deferred financing costs are recorded at cost and amortized on a straight-line basis over the term of the financing agreement. Amortization is included in interest expense.

Years ended March 31, 2003 and 2002
(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(n) Pension plans:

The Company offers to certain of its employees, defined benefit pension plans and defined contribution pension plan. Pension plan costs are determined using actuarial methods.

The defined benefit pension plans are unfunded plans for which a liability has been accounted for as presented in note 13.

(o) Environmental expenditures:

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which are not expected to contribute to current or future operations are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are likely, and when the costs, based on a specific plan of action in terms of the technology to be used and the extent of the corrective action required, can be reasonably estimated.

(p) Comparative figures:

Certain comparative figures for 2002 have been reclassified to conform with the presentation adopted for the year ended March 31, 2003.

2. CHANGES IN ACCOUNTING POLICY:

The Company has changed certain accounting policies to comply with the new standards of the Canadian Institute of Chartered Accountants ("CICA").

(a) Goodwill and other intangible assets:

In August 2001, the CICA issued Handbook Section 3062, *Goodwill and Other Intangible Assets*. For business combinations consummated on or before June 30, 2001, the Company adopted on April 1, 2002 the new recommendations of the CICA Handbook. Under those new recommendations, goodwill and intangible assets with indefinite useful lives are not amortized and other identified intangible assets are amortized. In accordance with the requirements of Section 3062, this change in accounting policy is not applied retroactively and the amounts presented for prior periods have not been restated for this change.

On April 1, 2002, the Company's non-amortized goodwill was $13,043,000, largely attributable to the Process Group segment. In accordance with Section 3062, goodwill is no longer amortized and this change in the accounting policy was not applied retroactively and recognized amounts for preceding periods have not been adjusted to consider this change. The following summarizes the effect of the accounting change if it was applied retroactively:

	2003	2002
Net earnings, as reported	$ 8,255	$ 12,920
Amortization of goodwill, net of income taxes	–	628
Adjusted net earnings	$ 8,255	$ 13,548
Adjusted earnings per share:		
Basic	$ 0.79	$ 1.44
Diluted	$ 0.76	$ 1.40

Under Section 3062, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is not required. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. When the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the income statement before extraordinary items and discontinued operations.

Years ended March 31, 2003 and 2002
(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

2. CHANGES IN ACCOUNTING POLICY (CONTINUED):

(a) Goodwill and other intangible assets (continued):

Intangible assets acquired in business combinations and intangible assets acquired individually or with a group of other assets, which have indefinite lives, are also tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test compares the carrying amount of the intangible asset with its fair value, and an impairment loss is recognized in the statement of income for the excess, if any. Intangible assets with definite useful lives are amortized over their useful life.

The Company has conducted the first step of the transitional and annual impairment tests on April 1, 2002, the adoption date, and December 31, 2002, respectively, and has concluded that no impairment was required.

(b) Foreign currency translation:

In November 2001, the CICA approved changes to Section 1650 of the CICA Handbook, Foreign Currency Translation, to eliminate the deferral and amortization of foreign currency translation gains and losses on long-lived monetary items. These changes harmonize Canadian and United States generally accepted accounting principles concerning translation gains and losses on long-lived monetary items. Application of this change had no significant impact on results of the Company.

(c) Stock compensation and other stock-based payments:

The Company has implemented share purchase option plans for officers, employees and directors as detailed in note 15.

Effective April 1, 2002, the Company adopted the recommendations of the CICA with respect to the accounting for compensation and other stock-based payments. The guidance states that all stock-based awards granted to employees that are not a direct award of stock or do not call for settlement in cash or other assets, or are not stock appreciation rights that call for settlements by the issuance of equity instruments could be accounted for using the intrinsic method or other common practice. As such, the Company has continued the use of the settlement method. No compensation expense is recognized for these plans when shares are issued to employees. Any consideration paid by employees on purchase of shares is credited to share capital.

Stock-based compensation arrangements that can be settled in cash result in the recognition of compensation expense.

The new recommendations had no impact on retained earnings as at April 1, 2002.

3. ACCOUNTS RECEIVABLE:

	2003	2002
Trade	**$ 93,076**	$ 52,721
Holdbacks on contracts	**3,801**	1,942
Other	**4,696**	3,198
Current portion of long-term investments	**–**	450
	101,573	$ 58,311

The Company operates mainly in the Americas and Europe. Approximately 45% of the trade accounts (57% in 2002) were related to the pulp and paper industry. The Company establishes a provision for doubtful accounts to cover the specific risk of its customers.

4. INVENTORIES:

	2003	2002
Raw materials	**$ 8,531**	$ 8,048
Finished goods	**36,983**	25,590
	$ 45,514	$ 33,638



Years ended March 31, 2003 and 2002
(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

5. CONTRACTS IN PROGRESS AND PROGRESS BILLINGS:

	2003	2002
Contracts in progress	$ 47,589	$ 25,285
Progress billings	(31,730)	(16,096)
	$ 15,859	$ 9,189

6. INCOME TAXES:

The following table reconciles the difference between the domestic statutory tax rate and the effective tax rate used by the Company in the determination of its net earnings:

	2003	2002
Domestic statutory tax rate	36.43%	38.99%
Impact of foreign tax rates differences	(12.13)	(5.70)
International tax rates	24.30	33.29
Increase (decrease) resulting from:		
Manufacturing and processing activities	(0.85)	(4.42)
Large corporation and American state taxes	1.89	2.14
Permanent differences	(9.06)	(2.80)
Loss carryforwards not previously recorded	(0.95)	(1.92)
Impact of changes in income tax rates on future taxes	2.92	–
Other	3.80	1.11
	(2.25)	(5.89)
Effective tax rate	22.05%	27.40%

The tax effects of significant items comprising the Company's net future tax liabilities are as follows:

	2003	2002
Future tax assets:		
Operating loss carryforwards	$ 1,792	$ 655
Provision for future employee compensation	1,291	923
Undeductible provisions for tax purposes	4,684	9,259
Reorganization costs related to business acquisitions	3,378	–
Other	356	839
Gross future income tax assets	11,501	11,676
Future tax liabilities:		
Differences between book and tax bases of fixed assets	10,852	12,999
Other	3,758	3,645
Gross future tax liabilities	14,610	16,644
Net future tax liabilities	$ (3,109)	$ (4,968)

The current and long-term future tax assets and liabilities are as follows:

	2003	2002
Future tax assets:		
Current	$ 6,773	$ 10,591
Long-term	4,728	1,085
	11,501	11,676
Future tax liabilities:		
Current	(488)	(452)
Long-term	(14,122)	(16,192)
	(14,610)	(16,644)
Net future tax liabilities	$ (3,109)	$ (4,968)

As at March 31, 2003, the Company had net operating loss carryforwards for income tax purposes of approximately $5,832,000 available to reduce future taxable earnings expiring from 2007 to 2023 for which a future tax asset has been recognized.

Years ended March 31, 2003 and 2002
(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

6. INCOME TAXES (CONTINUED):

The Company has not recognized a future tax liability for the retained earnings of its subsidiaries in the current and prior years because the Company currently does not expect the retained earnings to become taxable in the foreseeable future. A future tax liability will be recognized when the Company expects that it will recover the retained earnings in a taxable manner, such as through a receipt of dividends or a sale of investments.

7. LONG-TERM INVESTMENTS:

	2003	2002
Investments in a company subject to significant influence, at equity value	$ –	$ 1,691
Investments, at cost:		
Shares of private companies	1,500	1,679
3.66% mortgage receivable in annual instalments of $193,694, principal and interest, until January 2003	–	187
Other	1,827	2,069
	3,327	5,626
Current portion	–	450
	$ 3,327	$ 5,176

8. FIXED ASSETS:

	2003		
	Cost	Accumulated amortization	Net book value
Land	$ 5,484	$ –	$ 5,484
Landscaping, paving and fences	261	134	127
Buildings	32,908	8,104	24,804
Equipment, molds, furniture and fixtures	43,364	18,989	24,375
Experimental equipment	2,277	1,647	630
Computer hardware and software	10,883	6,641	4,242
Automotive equipment	678	264	414
Leasehold improvements	1,793	1,079	714
Deferred government assistance and investment tax credits	(1,101)	(700)	(401)
	$ 96,547	$ 36,158	$ 60,389

	2002		
	Cost	Accumulated amortization	Net book value
Land	$ 5,296	$ –	$ 5,296
Landscaping, paving and fences	198	111	87
Buildings	32,228	6,809	25,419
Equipment, molds, furniture and fixtures	34,339	17,584	16,755
Experimental equipment	2,786	1,976	810
Computer hardware and software	8,909	5,363	3,546
Automotive equipment	304	140	164
Leasehold improvements	1,758	1,081	677
Deferred government assistance and investment tax credits	(1,101)	(675)	(426)
	$ 84,717	$ 32,389	$ 52,328

Years ended March 31, 2003 and 2002
(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

9. GOODWILL:

For the year ended March 31, 2003, the changes in the carrying amounts of goodwill are as follows:

	Balance as at March 31, 2002	Purchase of business	Translation adjustment	Balance as at March 31, 2003
Process Group	$ 10,168	$ 20,164	$ (1,184)	$ 29,148
Pulp & Paper Group	2,875	91	(154)	2,812
	$ 13,043	$ 20,255	$ (1,338)	$ 31,960

10. INTELLECTUAL PROPERTY RIGHTS AND PATENTS:

The cost and accumulated amortization of intellectual property rights amount to $14,553,709 and $1,406,481, respectively ($2,211,589 and $671,067 in 2002).

The cost and accumulated amortization of patents amount to $922,669 and $630,461, respectively ($922,669 and $538,194 in 2002).

11. OTHER ASSETS:

	2003	2002
Development costs	$ 1,839	$ 1,710
Deferred financing costs	3,990	2,065
Other	–	2
	$ 5,829	$ 3,777

12. LONG-TERM DEBT:

	2003	2002
Term loan for a maximum amount of $35,000,000, prime rate of Canadian financial institution plus 0.75% to 2.00% and/or 30 to 180 days bankers' acceptance rate plus 1.75% to 3.00%, repayable in 18 quarterly payments of $1,312,500 from June 30, 2003, and the remaining balance in November 2007 i)	$ 33,000	$ –
Term loan of a maximum amount of US$38,634,900, prime rate of an American financial institution plus 0.75% to 2.00% and/or LIBOR of 30 to 180 days plus 1.75% to 3.00%, repayable in 18 quarterly payments of $2,250,000 from June 30, 2003, and the remaining balance in November 2007 i)	56,766	–
Term loan for a maximum amount of US$24,000,000, prime rate of an American financial institution plus 0.875% and/or LIBOR of 30 to 180 days plus 1.825%, repayable in semi-annual payments of US$355,000 in September 2002, US$710,000 in March 2003, US$755,000 from March 2004 to March 2006 and the remaining balance in September 2006 i)	–	37,678
Revolving term loan for a maximum amount of $28,500,000, Canadian or American prime rate of a Canadian financial institution plus 0.625% or rate of 30 to 180 days bankers' acceptances plus 1.250% and LIBOR of 30 to 180 days plus 1.250%, repayable in semi-annual payments of $2,080,000 from September 2002 to September 2004, and the remaining balance in March 2005 i)	–	18,474
7% note payable, repayable in quarterly payments of US$12,867, principal only, maturing in 2005	132	226
	89,898	56,378
Current portion of long-term debt	14,325	1,779
	$ 75,573	$ 54,599

(i) On November 7, 2002, the Company renegotiated its credit facilities for a total amount of $135,000,000, which served to refinance the existing debt, finance a portion of EIMCO's acquisition cost, and provide for the Company's future needs.

Years ended March 31, 2003 and 2002
(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

12. LONG-TERM DEBT (CONTINUED):

(i) (continued):

The term loans and the unused $40,000,000 credit facilities are secured by a moveable and an immoveable hypothec on the universality of the Company's property and that of its subsidiaries. These credit agreements include certain financial covenants, which have been respected as of March 31, 2003.

Principal repayments of long-term debt for the next five years are as follows:

2004	$ 14,325
2005	14,307
2006	14,250
2007	14,250
2008	32,766

13. OTHER LIABILITIES:

	2003	2002
Accrued pension liabilities	$ 5,702	$ 4,785
Other	3,498	3,919
	$ 9,200	$ 8,704

14. SHARE CAPITAL:

Authorized:

Unlimited number of shares without par value:

Class "B" multiple voting shares, carrying 10 votes per share, participating, convertible into Class "A" subordinate voting shares

Class "A" subordinate voting shares, participating

Preferred shares, issuable in series

Issued and fully paid:

	2003		2002	
	Number of shares	Total	Number of shares	Total
Class "B" shares				
Outstanding, beginning of year	2,575,610	$ 4,062	3,569,282	$ 5,630
Share redemption for cancellation	–	–	(61,000)	(96)
Conversion of Class "B" shares into Class "A" shares	(122,169)	(193)	(932,672)	(1,472)
Outstanding, end of year	2,453,441	$ 3,869	2,575,610	$ 4,062

	2003		2002	
	Number of shares	Total	Number of shares	Total
Class "A" subordinate voting shares				
Outstanding, beginning of year	6,802,730	$ 21,133	6,042,058	$ 20,145
Shares issued:				
Conversion of Class "B" shares into Class "A" shares	122,169	193	932,672	1,472
Issuance of shares	2,500,000	31,875	–	–
Issuance of shares pursuant to stock option plan (note 15)	75,000	375	66,000	310
Shares redeemed for cancellation	(28,800)	(94)	(238,000)	(794)
Outstanding, end of year	9,471,099	$ 53,482	6,802,730	$ 21,133
Total		$ 57,351		$ 25,195



14. SHARE CAPITAL (CONTINUED):

During the year, the Company redeemed 28,800 Class "A" shares (238,000 in 2002) for cancellation for a cash consideration of $363,224 ($1,866,666 in 2002), including a premium of $268,622 ($1,073,103 in 2002) charged to retained earnings.

In 2002, the Company redeemed 61,000 Class "B" shares for cancellation for a cash consideration of $488,787, including a premium of $392,583 charged to retained earnings.

On October 18, 2002, the Company completed a private placement of 2,500,000 Class "A" subordinate voting share at a price of $12.75, for total gross proceeds of $31,875,000, including the exercise of the option for additional shares by the underwriters' syndicate.

15. STOCK OPTION PLANS AND OTHER STOCK-BASED COMPENSATION PLANS:

(a) Stock option plans:

Under stock option plans for senior executives, management and directors, a maximum of 967 424 Class "A" subordinate voting shares of the share capital of the Company can be issued. Under the plans, the exercise price of each option is equivalent to the price of the Company's shares on the date of grant of the options and the maximum term of an option may not exceed 10 years. The terms and conditions of the options are determined by the Board of Directors.

	2003		2002	
	Shares	**Weighted average exercise price**	Shares	Weighted average exercise price
Outstanding, beginning of year	**636,000**	**$ 4.99**	724,000	$ 4.86
Granted	**15,000**	**12.27**	31,000	7.60
Exercised in stock	**(75,000)**	**5.00**	(66,000)	4.71
Exercised in cash	**(11,200)**	**6.15**	(20,000)	5.35
Forfeited	**(10,800)**	**4.01**	(33,000)	4.87
Outstanding, end of year	**554,000**	**$ 5.18**	636,000	$ 4.99

The following table summarizes information on the stock options outstanding as at March 31, 2003:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$ 3.30	35,000	3.2	$ 3.30	35,000	$ 3.30
$ 4.00 - $ 4.25	200,000	5.7	4.14	150,000	4.14
$ 5.35	254,000	7.0	5.35	254,000	5.35
$ 7.60 - $ 8.00	50,000	7.8	7.70	50,000	7.70
$ 12.00 - $ 12.40	15,000	9.4	12.26	7,000	12.11
	554,000	6.5	$ 5.18	496,000	$ 5.17

If the stock options granted since April 1, 2002 had been accounted for using the fair value method, pro forma net earnings and pro forma earnings per share and diluted pro forma earnings per share would have been as follows:

	2003
Net earnings, as reported	**$ 8,255**
Compensation cost using the fair value method	**49**
Pro forma net earnings	**$ 8,206**
Earnings per share:	
Basic - as reported	**$ 0.79**
Diluted - as reported	**0.76**
Basic - pro forma	**0.78**
Diluted - pro forma	**0.76**

Years ended March 31, 2003 and 2002
(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

15. STOCK OPTION PLANS (CONTINUED):

(a) Stock option plans (continued):

These pro forma amounts include a compensation cost based on a weighted average fair value of the attributed options at the grant date determined at $5.05 per stock option for the 15,000 options granted since April 1, 2002. The fair value of each option granted was determined using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	5%
Expected life	10 years
Expected volatility	34.5%
Expected dividend yield	$0.20

The pro forma figures omit the effect of stock options granted prior to April 1, 2002.

(b) Other stock-based compensation plans:

The Company also offers to directors and certain employees, notional units with a value corresponding to the market price of the Class "A" shares.

Rights related to notional units granted to directors are exercisable one year after the grant date. Compensation cost for these units is recorded over the year following the grant date. Rights related to units granted to certain employees are exercisable 3 years after the year-end to which the units relate to. 50% of the value of these rights is paid when the units become exercisable and 50% is paid when the employee leaves. Payment of the value of the units is also subject to conditions related to death, invalidity, retirement and departure of an employee. Compensation cost for the first payment of 50% of the value of the units is amortized on a straight-line basis over 3 years. Compensation cost for the second tranche of 50% is amortized over the employees' active service periods estimated at 15 years.

As at March 31, 2003, 179,368 units (200,420 units in 2002) were outstanding for both plans. Compensation cost for 2003 was $577,948 ($995,379 in 2002).

16. INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENTS OF EARNINGS:

The consolidated statements of earnings include the following items:

	2003	2002
Amortization of fixed assets	$ 7,246	$ 6,325
Amortization of goodwill	–	775
Amortization of development costs	212	288
Amortization of other assets	828	378
Amortization of deferred government assistance and investment tax credits	(25)	(34)
	$ 8,261	$ 7,732

17. FINANCIAL EXPENSES:

	2003	2002
Interest on long-term debt	$ 3,377	$ 2,876
Interest revenue, net	(296)	(611)
Amortization of deferred financing costs	827	274
Exchange rate (gains) losses	620	(1,016)
Other	576	535
	$ 5,104	$ 2,058

18. NON-RECURRING EXPENSES:

During the year, the Company incurred non-recurring expenses related to the acquisition of the net assets of EIMCO Process Equipment ("EIMCO"). An amount of $3,162,000 refers to the integration of EIMCO and the restructuring of the Process Group following this acquisition. To finance this acquisition, the Company also had to renegotiate its credit facilities, consequently, deferred financing costs had to be partially written off by an amount of $667,000. In addition, the Company restructured the Pulp and Paper Group for an amount of $1,754,000.

Non-recurring expenses in 2002 were related to a restructuration of the workforce in the United States and in Mexico and to the termination of the European agreement with Coinpasa/Enertec.

Years ended March 31, 2003 and 2002
(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

18. NON-RECURRING EXPENSES (CONTINUED):

The details of these non-recurring expenses are as follows:

	2003	2002
Severance and other fringe benefits	$ 3,451	$ 2,805
Partial write-off of deferred financing costs	667	–
Costs to shutdown facilities of the Company	567	–
Loss on disposal, write-off of receivables and payments under guarantees related to Coinpasa/Enertec	–	2,103
Other	898	–
	$ 5,583	$ 4,908

Income taxes related to the non-recurring expenses amount to $1,090,000 ($1,189,000 in 2002).

The following table reconciles the earnings per share before amortization of goodwill and non-recurring expenses, net of income taxes.

	2003	2002
Net earnings	$ 8,255	$ 12,920
Amortization of goodwill, net of income taxes	–	628
Non-recurring expenses, net of income taxes	4,493	3,719
	$ 12,748	$ 17,267
Per share amounts:		
Basic	$ 1.21	$ 1.83
Diluted	1.17	1.79

19. EARNINGS PER SHARE:

The basic earnings per share are calculated by dividing the net earnings that belong to the shareholders by the weighted average amount of participating shares outstanding during the period.

The diluted earnings per share are calculated by dividing the net earnings that belong to the shareholders by the weighted average amount of shares outstanding restated to account for the potential diluting impact of the stock options.

	2003	2002
	(in thousands)	
Weighted average number of participating shares outstanding	10,514	9,421
Potential dilutive impact	350	231
Weighted average number of participating and diluted shares	10,864	9,652

20. NON-CASH ITEMS IN NET EARNINGS:

	2003	2002
(Gain) loss on disposal of commercial activities and investments	$ (198)	$ 269
Loss on write-off of investments and other assets	2,449	–
(Gain) loss on disposal of fixed assets and other assets	(1,490)	846
Amortization (notes 16 and 17)	9,088	8,006
Future income taxes	3,259	9,940
Pension costs	(60)	(91)
Non-controlling interest	–	(573)
	$ 13,048	$ 18,397

21. NET CHANGE IN NON-CASH BALANCES RELATED TO OPERATIONS:

	2003	2002
Accounts receivable	$ (6,156)	$ 23,996
Inventories	1,847	438
Income taxes	1,046	(5,501)
Contracts in progress and progress billings	19,730	(15,692)
Prepaid expenses	276	(1,011)
Accounts payable and accrued liabilities and other liabilities	(21,001)	(14,241)
	$ (4,258)	$(12,011)

Years ended March 31, 2003 and 2002
(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

22. BUSINESS ACQUISITIONS AND DISPOSAL:

Business acquisitions are accounted for using the purchase method. Accordingly, the allocation of the purchase price to assets and liabilities is based on their fair values.

The results of operations are included in the consolidated financial statements from the date of acquisition.

The following table summarizes the net assets acquired or sold during the past two years:

	2003		2002	
	Net assets acquired	**Net assets sold**	Net assets acquired	Net assets sold
Current assets	**$ 78,132**	**$ –**	$ 1,315	$ 3,688
Fixed assets	**9,838**	**–**	98	275
Future income taxes	**4,403**	**–**	–	–
Goodwill	**20,255**	**–**	91	–
Other assets	**13,152**	**–**	30	2,897
	125,780	**–**	1,534	6,860
Current liabilities	**66,142**	**–**	(343)	(4,146)
Long-term debt and other liabilities	**–**	**–**	–	(296)
Non-controlling interest	**–**	**–**	–	(2,245)
Net assets acquired or sold	**$ 59,638**	**$ –**	$ 1,191	$ 173
Cash consideration paid, net of cash and cash equivalents received or paid	**$ 59,638**	**$ –**	$ 891	$ 96

(a) Year ended March 31, 2003:

On November 8, 2002, the Company acquired the main net assets of the EIMCO Process Equipment ("EIMCO") division of Baker Hughes Incorporated in exchange of $59,638,000 in cash (net of purchase price adjustments agreed to on March 31, 2003). The results of operations are included in the consolidated financial statements as of the contract's effective date being November 1, 2002. EIMCO is a world leading supplier of high-performance technologies for liquid and solid separation processes, which serves various industrial sectors such as chemicals and petrochemicals, mining and minerals, and the treatment of drinking water and municipal and industrial wastewater.

Goodwill of $20,164,000 is allocated to the Process Group. The Company has not finalized its purchase price allocation.

Also during the year, the Company finalized its purchase price allocation of E.L.P. Products Inc. Goodwill increased by $91,000.

(b) Year ended March 31, 2002:

On April 2, 2001, the Company acquired the assets of E.L.P. Products Inc. for a cash consideration of $891,000 and a balance of sale of $300,000.

Also during the year, the Company sold its 50% interest in GL&V Pulp and Paper S.L. for an additional interest of 50% in GL&V Pulp and Paper Europe Group APS. The activities of these companies are allocated to the "Pulp and Paper" business segment.

23. SEGMENTED INFORMATION:

The Company and its subsidiaries conduct their activities mainly in the United States, Canada and Europe in three large business segments, the Pulp and Paper Group, the Process Group, and Manufacturing.

The segments are managed separately as they require different marketing strategies. The Company measures the performance of each segment based on the earnings before provision for income taxes, financial expenses and non-controlling interest.

The accounting policies for each segment are identical to those used for the consolidated financial statements. Intersegment sales are concluded at an agreed upon amount between the segments involved.



Years ended March 31, 2003 and 2002
(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

23. SEGMENTED INFORMATION (CONTINUED):

	Pulp and Paper Group		Process Group		Manufacturing		Other and elimination		Total	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
Revenues	**$ 233,235**	$ 240,789	**$ 166,493**	$ 107,788	**$ 28,215**	$ 30,822	**$ (45,354)**	$ (26,771)	**$ 382,589**	$ 352,628
Amortization of fixed assets, goodwill and other assets (excluding amortization of deferred financing costs)	**4,480**	5,219	**2,237**	1,745	**878**	851	**666**	(83)	**8 261**	7,732
Earnings before provision for income taxes, financial expenses and non-controlling interest	**3,230**	4,420	**9,363**	8,965	**177**	2,593	**2,924**	3,088	**15,694**	19,066
Segment assets	**132,168**	129,872	**168,476**	110,816	**18,682**	18,918	**13,200**	(39,101)	**332,526**	220,505
Acquisition of fixed assets	**3,276**	3,483	**1,550**	472	**3,084**	689	**1,026**	413	**8,936**	5,057

The consolidated data per geographic segment is represented based on the location of the subsidiaries.

	2003	2002
Revenue per geographic segment:		
Canada	**$ 110,185**	$ 112,910
United States	**200,929**	173,540
Europe and other	**127,334**	102,439
Eliminations	**(55,859)**	(36,261)
	$ 382,589	$ 352,628
Export sales from Canadian subsidiaries	**$ 51,333**	$ 60,441
Assets per geographic segment:		
Fixed assets:		
Canada	**$ 18,055**	$ 15,094
United States	**38,087**	37,048
Europe and other	**4,247**	186
	$ 60,389	$ 52,328
Goodwill:		
Canada	**$ 1,416**	$ 82
United States	**22,456**	12,519
Europe and other	**8,088**	442
	$ 31,960	$ 13,043

24. FINANCIAL INSTRUMENTS:

The Company has operations in, and exports its products to, several countries and is therefore exposed to risks related to foreign exchange fluctuation and is also subject to risks related to interest rate fluctuations. The Company and its subsidiaries draw a portion of their borrowings in foreign currencies and use derivative financial instruments. None of these instruments are held or issued for speculative purposes.

(a) Description of derivative financial instruments:

(i) Management of foreign exchange risk:

Foreign exchange forward contracts:

	2003		2002	
Currencies (sold/purchased)	**Average rate**	**Notional amount**[1]	Average rate	Notional amount[1]
US$/$: Less than 1 year	**0.6684**	**$ 7,626**	0.6420	$ 9,500
US$/Euro: Less than 1 year	**1.0043**	**2,661**	0.9120	6,007
US$/SEK: Less than 1 year	**8.7041**	**1,175**	–	–
Euro/SEK: Less than 1 year	**9.2582**	**8,826**	–	–

[1] Exchange rates as at March 31, 2003 and 2002 were used to translate amounts in foreign currencies.

Years ended March 31, 2003 and 2002
(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

24. FINANCIAL INSTRUMENTS (CONTINUED):

(a) Description of derivative financial instruments (continued):

(ii) Management of interest rate risk:

The Company and one of its subsidiaries have entered into interest rate swaps to manage their interest rate exposures. They are committed to exchange, at specific intervals, the difference between fixed and floating interest rates calculated by reference to the notional amounts.

The amounts of outstanding contracts at year-end, by currency, are shown in the table below:

Maturity	Notional amount	Pay/receive	Fixed rate	Floating rate
October 7, 2005	US$ 19,317	Pay fixed/ receive floating	3.345%	LIBOR 3 months
October 7,2005	$ 17,500	Pay fixed/ receive floating	4.227%	Banker's 3 months acceptance

(b) Fair value of financial instruments:

The carrying amount of cash and cash equivalents, temporary investments, accounts receivable and accounts payable and accrued liabilities approximates their fair values, as these items will be realized or paid within one year.

Financial instruments with a fair value different than their carrying amount as at March 31, 2003 and 2002 are as follows:

	2003		2002	
	Carrying value	**Fair value**	Carrying value	Fair value
Long-term debt including current portion	**$ (89,898)**	**$ (89,898)**	$ (56,378)	$ (56,376)
Interest rate swap agreements	**–**	**(1,110)**	–	–
Forward exchange contracts	**–**	**59**	–	(135)

The fair values of the financial liabilities are estimated based on discounted cash flows using year-end market yields or market value of similar instruments having the same maturity. The fair values of the derivative financial instruments are estimated using year-end market rates, and reflect the amount the Company would receive or pay if the instruments were closed out at those dates.

25. COMMITMENTS:

The Company has entered into operating leases for premises and equipment with total minimum lease payments of $12,078,000, which expire at various dates until 2008. Minimum lease payments for the next five years are as follows:

2004	$ 3,801
2005	4,011
2006	2,548
2007	1,278
2008	440

The Company is also committed under letters of credit and guarantee. At March 31, 2003, $30,930,000 ($20,688,000 in 2002) were committed.

26. CONTINGENCIES:

A number of claims and suits brought against the Company and its subsidiaries are still outstanding. In the opinion of the management of the Company and its subsidiaries, the outcome of such claims and suits will not have a materially adverse effect on the Company's results or its financial position.

A subsidiary of the Company is being sued for damages ensuing from an incident arising and involving non-strategic activities sold by the subsidiary in 1999. The Company was also made aware of a similar incident, for which the subsidiary received a notice of intent that it would be held responsible for the costs connected with this incident. The subsidiary of the Company referred these claims to its insurers and to its legal advisors. It is not possible to determine the ultimate responsibility of the subsidiary of the Company, nor to estimate the amounts being claimed.

DIRECTORS

Laurent Verreault
Chairman of the Board,
President and Chief Executive Officer of GL&V

Claude Boivin [1] [2]
Director of Corporations

Jean Desbiens
Consultant

Robert Dorion [1]
Partner,
Gowling Lafleur Henderson LLP
Law Firm

Sylvie Lalande [2]
Director of Corporations

Louis Laperrière [1] [2]
President and Chief Executive Officer,
HMI Construction Inc.

Bernard Lemaire
Chairman of the Board,
Cascades Inc.

Pierre Monahan [1]
President, Canadian Forest Products Division,
Bowater Forest Products of Canada Inc.

William Saulnier
Executive Vice-President
and Chief Financial Officer of GL&V

Richard Verreault
President,
Pulp and Paper Group of GL&V

[1] Member of the Audit Committee
[2] Member of the Corporate Governance and Human Resources Committee

OFFICERS

Laurent Verreault
Chairman of the Board,
President and Chief Executive Officer

Marc Barbeau
Vice-President,
Taxation and Treasury

Robert Coomes
Vice-President and General Manager,
DORR-OLIVER EIMCO - U.S.A. and Latin America

Robert Gaulin
Vice-President,
Human Resources

Michel Gélinas
Vice-President and General Manager,
GL&V Manufacturing - Division of GL&V Canada Inc.

Klaus-Dieter Grüner
Vice-President and General Manager,
DORR-OLIVER EIMCO - Europe, North Africa, China and Middle East

Graham Lawes
Vice-President and General Manager,
DORR-OLIVER EIMCO - Southern Africa, Australia and Southeast Asia

Pierre Lépine
Vice-President,
Corporate Development

Yvon L'Heureux
Senior Vice-President,
Pulp and Paper Group

Sylvain Ouellette
Vice-President,
Control and Accounting

William Saulnier
Executive Vice-President
and Chief Financial Officer

Mikael Sundqvist
President and General Manager,
Pulp and Paper - Europe

Richard Verreault
President,
Pulp and Paper Group

Bart Yule
Vice-President and General Manager,
DORR-OLIVER EIMCO - Division of GL&V Canada Inc.

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